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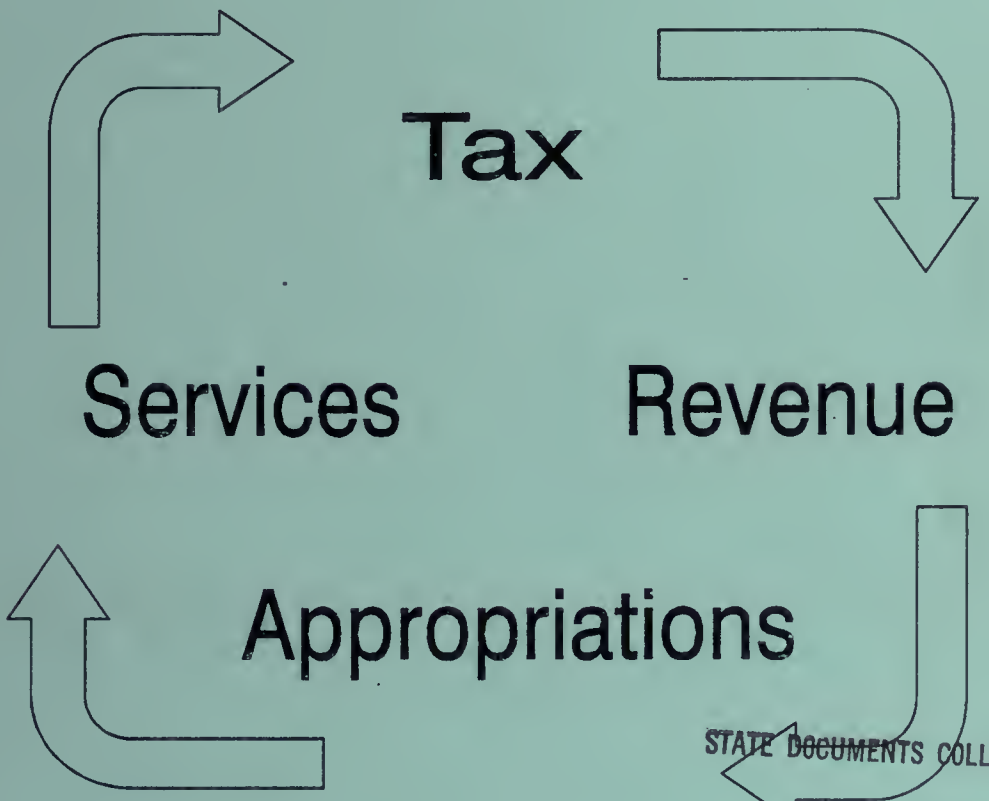
TAXES

Base of Government Services



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Montana Department of Revenue

January, 1993

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Director's Office

Mick Robinson, Director
Judy Rippingale, Deputy Director for Tax Policy
Jack Ellery, Deputy Director for Operations

Income and Miscellaneous Tax Division

Jeff Miller, Administrator
Bob Turner, Income Tax Bureau Chief
Char Maharg, Business Tax Bureau Chief

Natural Resource & Corporation Tax Division

Judy Rippingale, Acting Administrator
Don Hoffman, Natural Resources Bureau Chief
Lynn Chenoweth, Corporation Tax Bureau Chief

Property Assessment Division

Ken Morrison, Administrator
Mary Whittinghill, Central Assessed Bureau Chief
Randy Wilke, Appraisal and Assessment Bureau Chief

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Agency Overview 1

Income and Miscellaneous Tax IT-1

Natural Resource Tax NT-1

Corporate License Tax CT-1

Glossary G-1

Montana Department Of Revenue

Agency Overview

Department of Revenue

Mission Statement and General Description

The Department of Revenue's mission is to insure full and fair compliance with all state tax laws; to assist taxpayers in fulfilling their obligations to the state; to maximize the raising and uses of taxpayer funds by maintaining an efficient and timely mechanism for the collection and deposit of revenues; and to implement all department responsibilities with professionalism, integrity and efficiency.

The principal responsibility of the Department is to collect and enforce approximately 31 state taxes and fees. The Department is also responsible for regulating the sale and distribution of alcoholic beverages. The Department is organized into seven programs (see attached organization chart):

Director's Office provides overall direction to the six operating divisions within the agency;

Centralized Services provides centralized management and administrative services to all parts of the Department;

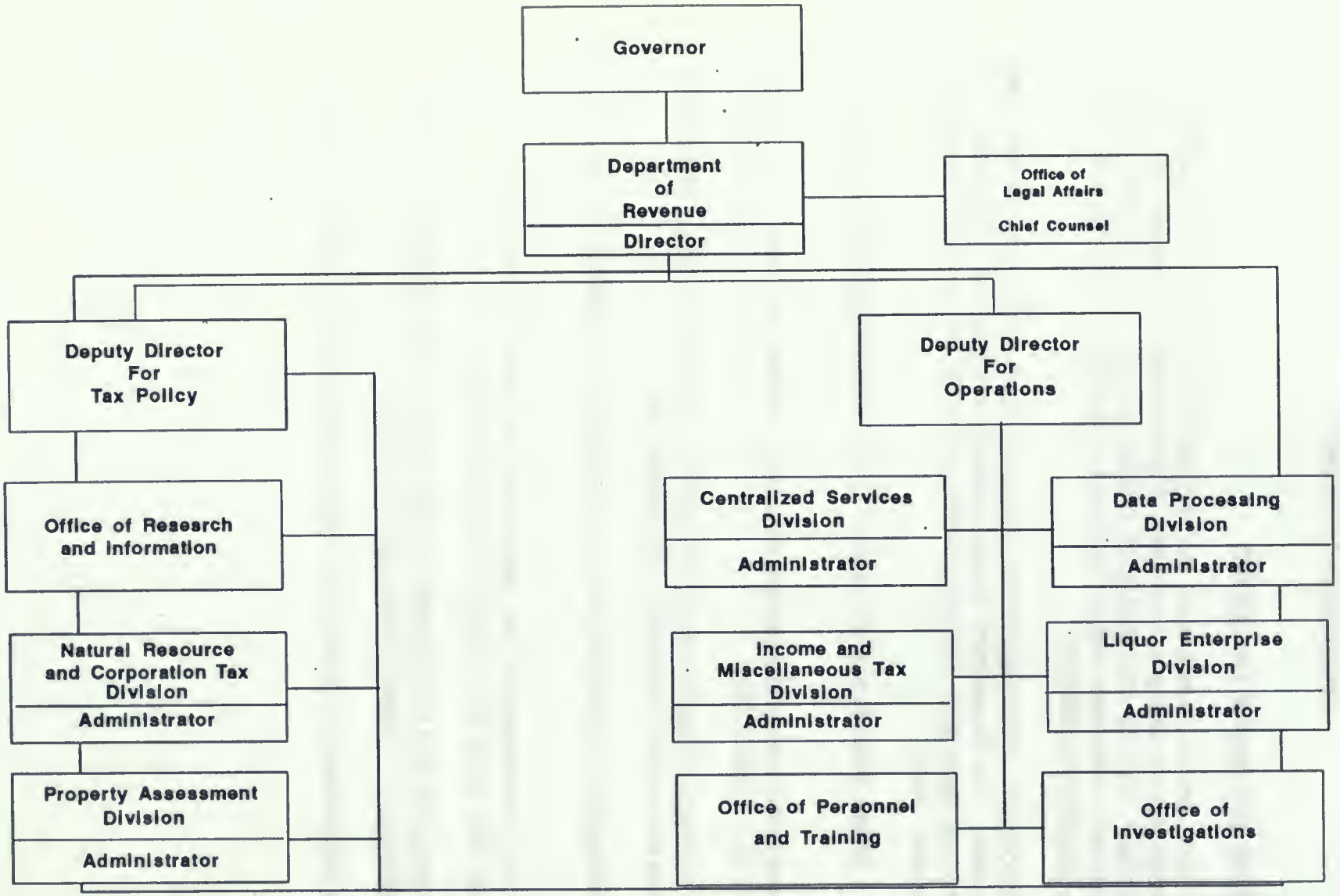
Data Processing provides systems development, data entry, computer operations, microcomputer support to all parts of the Department;

Liquor Enterprise regulates the sale and distribution of alcoholic beverages in the state.

Income and Miscellaneous Tax administers and enforces the state personal income tax laws along with 14 other miscellaneous taxes;

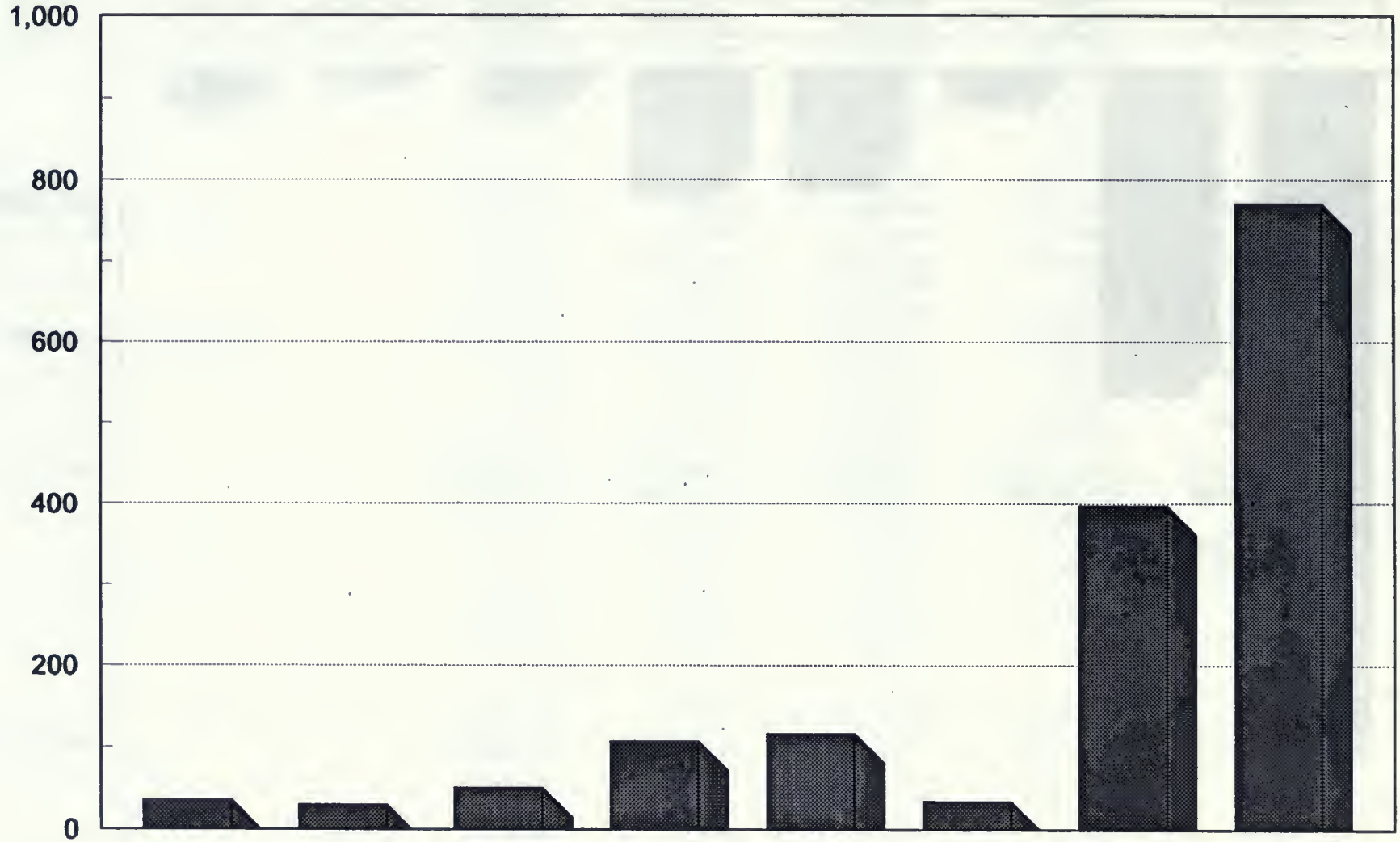
Natural Resource and Corporation Tax administers 17 different taxes in addition to administering the Federal Royalty Audit Programs;

Property Assessment administers the appraisal of all taxable property in the State.


Governor
Department of Revenue
Director
Office of Legal Affairs
Chief Counsel
Deputy Director For Tax Policy
Deputy Director For Operations
Office of Research and Information
Natural Resource and Corporation Tax Division
Administrator
Property Assessment Division
Administrator
Centralized Services Division
Administrator
Income and Miscellaneous Tax Division
Administrator
Office of Personnel and Training
Data Processing Division
Administrator
Liquor Enterprise Division
Administrator
Office of Investigations

Department of Revenue Staffing

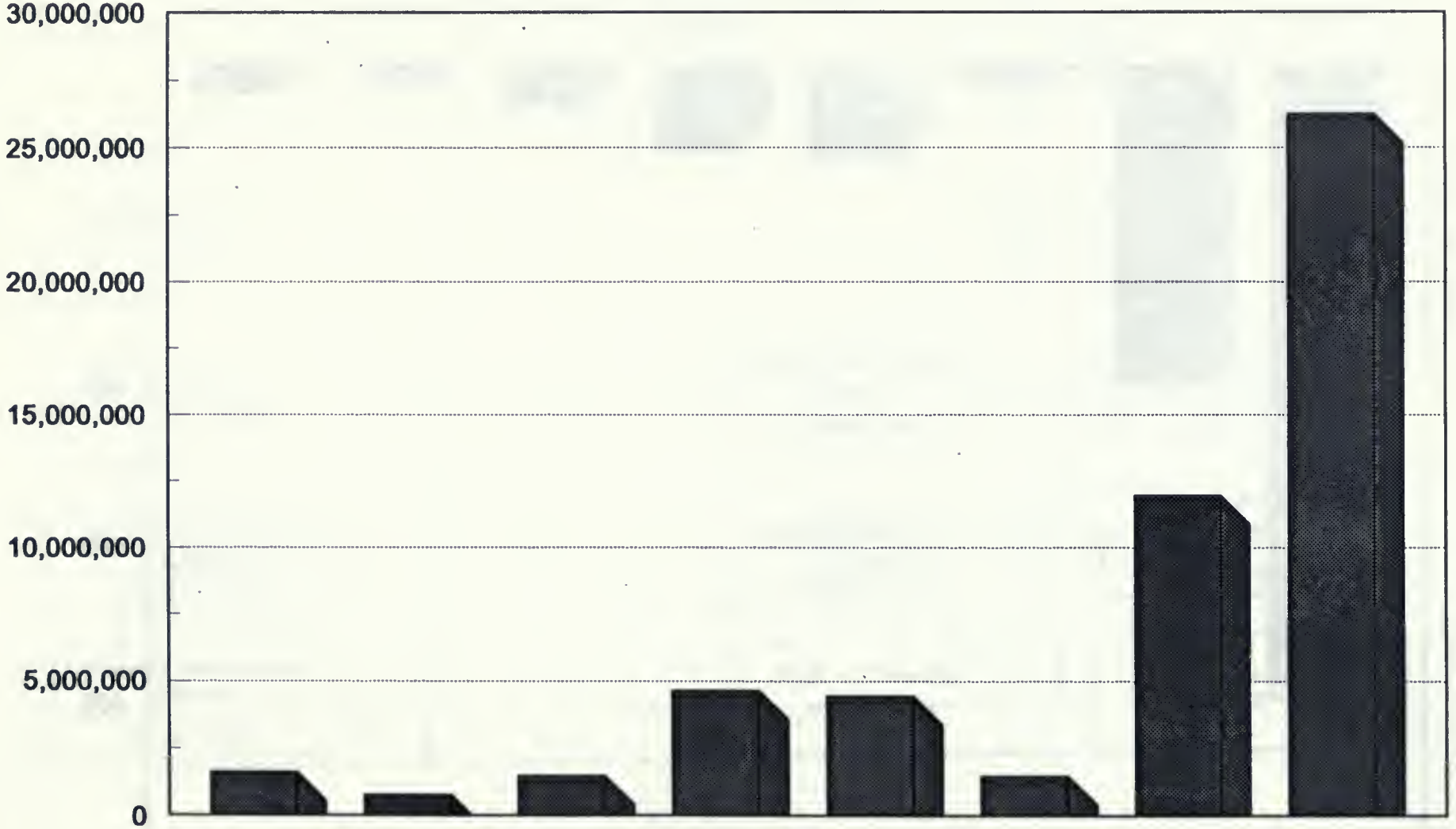
Fiscal 1992



	Director's Office	Centralized Services	Data Processing	Liquor Enterprise	Income Tax	NR & Corp Tax	Property Assessment	Department Total
Total FTE By Program	35.50	29.65	50.18	107.00	116.79	34.50	397.06	770.68

Source: Budget Analysis 1995

Department of Revenue Expenditures
Fiscal 1992



	Director's Office	Centralized Services	Data Processing	Liquor Enterprise	Income Tax	NR & Corp Tax	Property Assessment	Department Total
Total FTE By Program ■	1,584,357	747,096	1,455,917	4,613,020	4,419,963	1,453,045	11,956,750	26,230,148

Source: Budget Analysis 1995

DEPARTMENT OF REVENUE COLLECTIONS -- 1988-1992 (FISCAL YEARS)*

(With Estimated Accruals 1992)

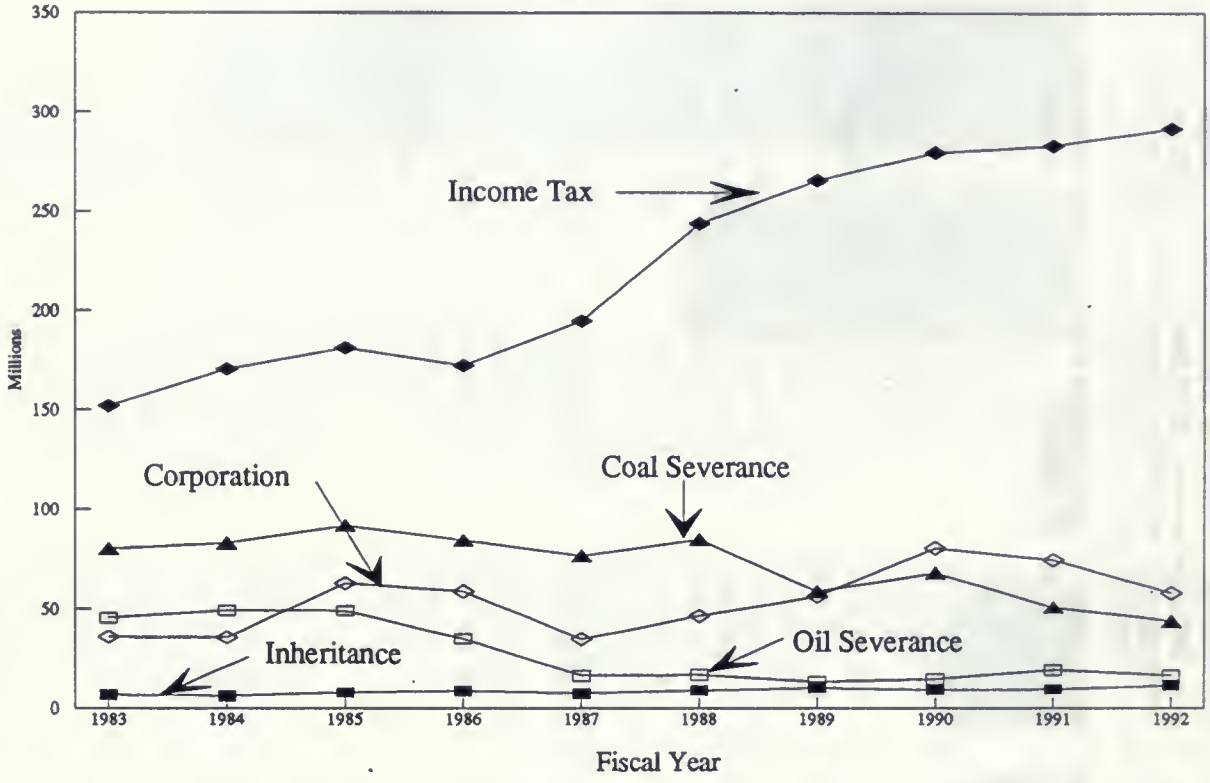
	1988	1989	1990	1991	1992
Abandoned Property	$769,008	$1,287,309	$960,324	$905,395	$974,013
Accommodations Tax	$3,372,658	$5,017,693	$5,488,764	$6,237,422	$8,762,356
Aviation Fuel Tax	$327,252	$374,046	$336,530	$337,764	NA
Camper Decal Fee	$7,042	$5,397	$5,755	$4,812	$1,905
Cement & Gypsum Taxes & Licenses	$126,650	$130,406	$131,592	$123,038	$161,860
Cigarette Tax	$11,278,326	$11,113,087	$11,567,081	$11,733,190	$12,172,863
Cigarette Wholesalers & Retailers License Fee	$13,325	$12,317	$16,095	$15,060	$15,095
Coal Severance Tax	$84,638,312	$58,565,583	$67,870,544	$50,457,839	$54,114,111
Consumer Counsel Tax	$407,471	$723,724	$693,334	$751,571	$842,961
Contractor's Gross Receipts Tax (Net)	$488,446	$987,887	1,118,458	$1,300,905	1,270,364
Corporation License Tax	$46,200,103	$56,139,749	$80,315,564	$74,319,910	$57,682,673
Dangerous Drug Tax	$46,768	$14,071	($29,860)	($10)	$0
Diesel Fuel Tax	$21,185,520	$23,702,390	$23,821,548	$22,797,863	NA
Electrical Energy Producers' License Tax	$3,311,082	$3,815,964	$4,100,543	$3,906,194	$4,937,510
Emergency Telephone 911 System Fee	$1,053,843	$1,063,478	$1,085,524	$1,113,474	$1,383,505
Escheated Estates (Net)	$0	$77,615	$33,084	$34,438	$14,424
Freight Line Company Tax	$1,229,618	$1,125,739	$1,166,312	$1,297,794	$1,272,134
Gasoline License Tax ***	$80,889,296	$83,951,441	$87,893,465	$87,110,555	NA
Income Tax Withheld	$192,208,969	$197,104,606	$199,220,232	$216,183,975	$266,894,688
Income Tax All Other	$51,559,752	$68,433,414	$80,422,761	$66,776,110	$54,643,406
Income Tax Contribution Check-Offs	$51,062	$56,529	$50,146	$46,904	$84,359
Inheritance Tax (Net)	$8,745,457	$10,091,548	$9,049,129	$9,339,854	$11,338,204
Metalliferous Mines License Tax	$4,248,913	$6,355,005	$6,306,356	$7,739,030	$6,595,467
Micaceous Mineral Mines License Tax	$7,689	$6,212	$4,067	$2,456	$0
Natural Gas Severance Tax	$1,491,523	$1,724,735	$1,057,277	$1,277,368	$1,395,778
Net Proceeds Penalties	$38,750	$39,387	$12,575	$8,300	$9,975
Nursing Facility Bed Tax	0	0	0	0	$1,587,432
Oil And Gas Producers' Privilege And License Tax	$929,284	$789,045	$877,824	$978,223	$994,384
Oil Severance Tax	$16,484,059	$13,234,513	$14,510,149	$18,885,901	$20,427,115
Public Service Regulation Tax	$2,085,218	$2,224,363	$1,571,594	$1,206,887	$1,934,214
Resource Indemnity Trust Tax	$4,979,333	$4,782,041	$5,071,681	$3,573,502	$4,194,434
Rural Electric & Telephone Co-op Tax	$10,597	$13,723	$12,127	$12,980	$12,364
Store License Tax	$270,026	$274,246	$266,688	$314,051	$5,054
Telephone License Tax	$3,450,499	$3,580,073	$3,760,038	$3,899,657	$4,983,796
Tobacco Products Tax	$773,440	$802,615	$893,111	$1,006,909	$1,224,587
Workers' Compensation Payroll Tax	0	0	0	0	$14,067,435
Other**	$25,946	$26,450	$28,919	$34,173	$38,810
Totals	**$542,705,237**	**$557,646,401**	**$609,689,331**	**$593,733,494**	**$534,037,276**

*Source SBAS Report 635, includes accruals, see page 5 for explanation.

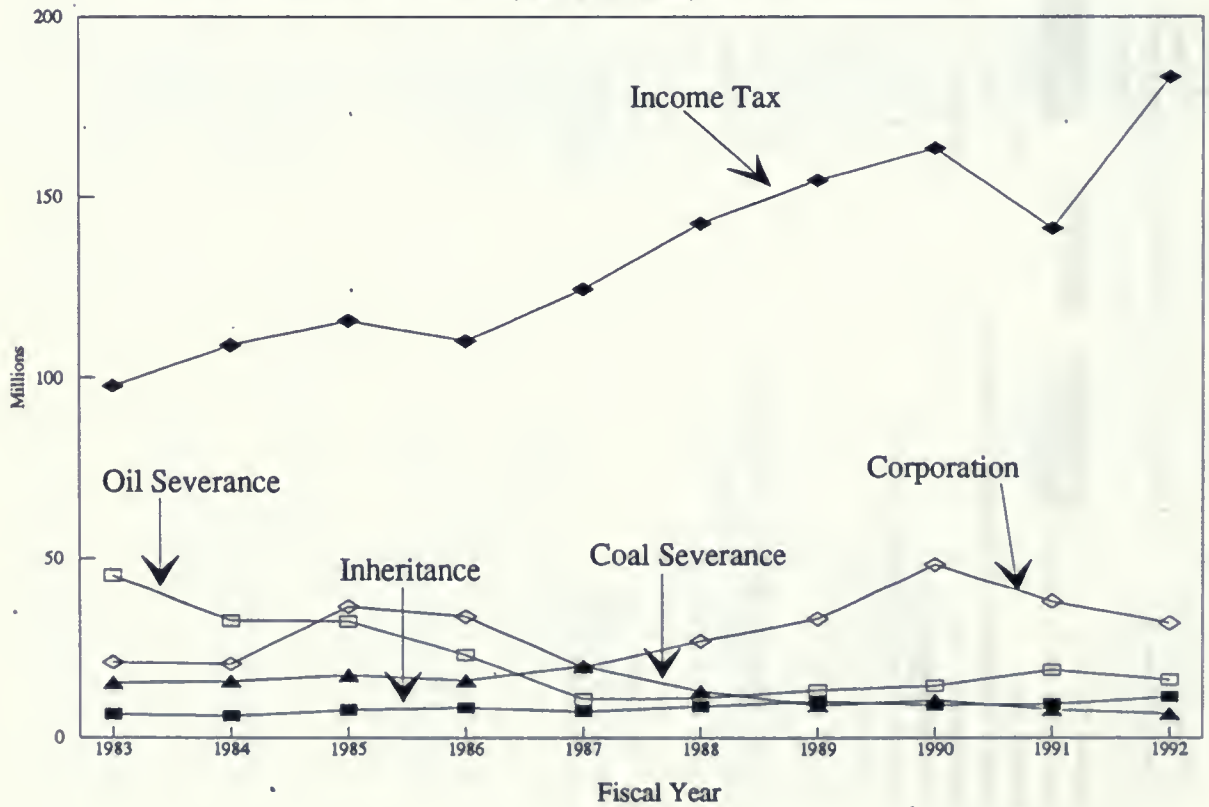
**Includes Coal Dealer's License, Gasoline Dealer's Refund Permit (1988-1991), National Housing Tax, and Tramway Tax.

***As of FY 90, includes Storage Tank Clean-up Fee.

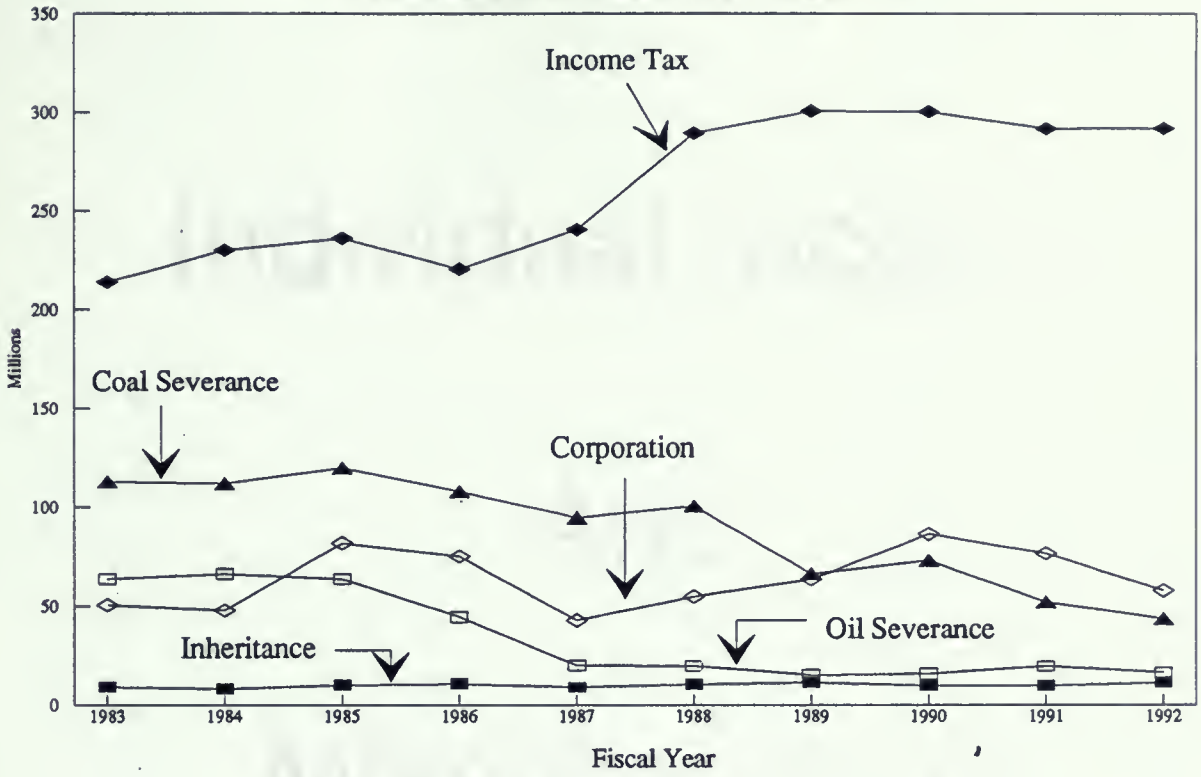
Revenue Collections of Top Five General Fund Sources
(Net of Accruals)



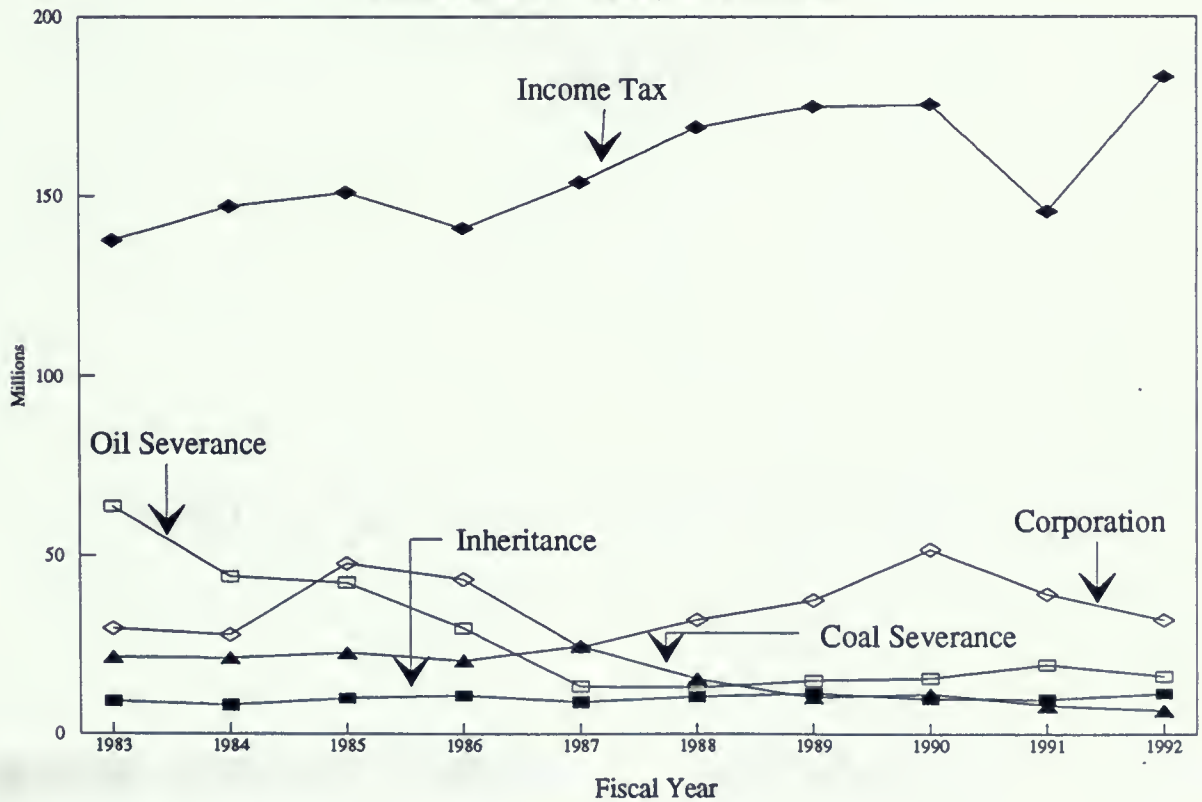
General Fund Share of Top Five General Fund Sources Administered by DOR
(Net of Accruals)



Revenue Collections of Top Five General Fund Sources
In Millions of 1992 Dollars, Net of Accruals



General Fund Share of Top Five General Fund Sources Administered by DOR
In Millions of 1992 Dollars, Net of Accruals



Individual Income

And

Miscellaneous

Taxes

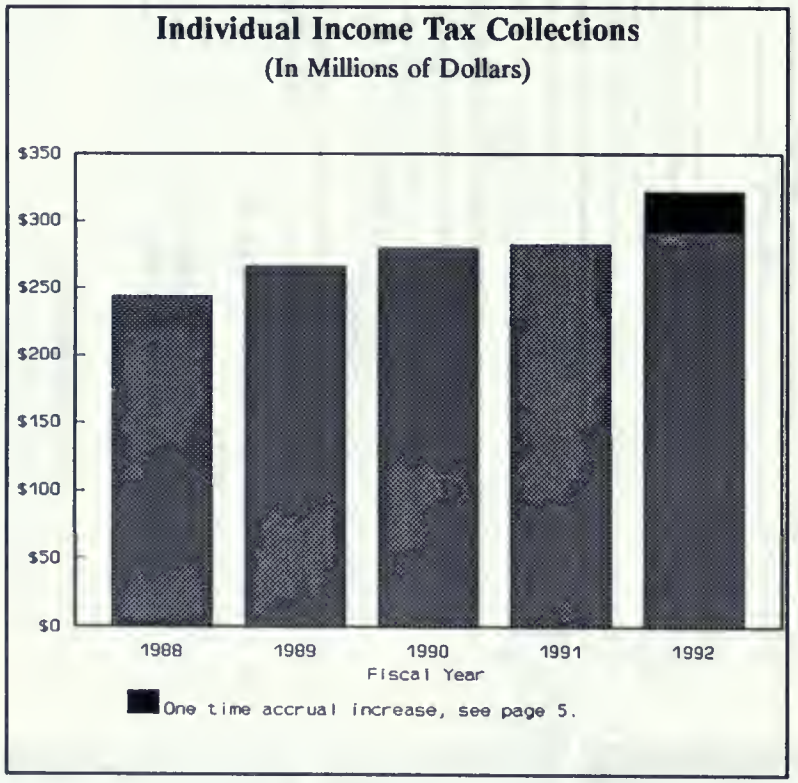
Montana Department of Revenue

January, 1993

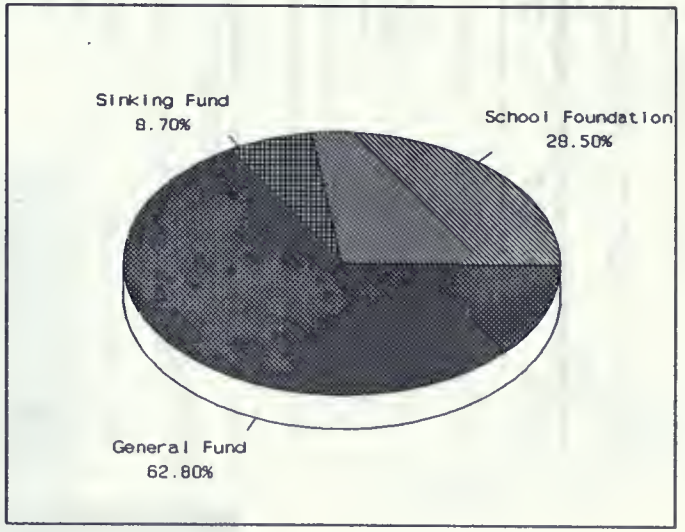
INCOME TAX

The income tax is Montana's largest source of state tax revenue. It is collected at rates ranging from 2% to 11% of taxable income. Revenue from the income tax was distributed 50% to the state General Fund, 41.3% to the School Foundation Program, and 8.7% to the debt service account for long-range building in FY 91; and 62.8% to the state General Fund, 28.5% to the School Foundation Program, and 8.7% to the debt service account for long-range building in FY 92.

Employers who withhold wages for federal tax purposes generally must withhold for Montana income tax. In tax year 1991, wages were withheld on 309,126 returns.



Distribution of Income Tax
Fiscal Year 1992



FORM 2 — Montana Individual Income Tax Return — 199

OR FISCAL year beginning _____, 1992 and ending _____, 19____

LAST NAME	First Name & Initial	Your Social Security No.
		— —
Spouses Last Name if Different	Spouses First Name & Initial	Spouse's Social Security No.
		— —

MAILING ADDRESS _____ City _____ State _____ Zip Code + 4

DO NOT USE THIS SPACE

Filing Status Check One: 1 ☐ Single | 2 ☐ Married filing joint return | 3 ☐ Married and both filing separate returns on this form | 4 ☐ Married and both filing separate returns on separate forms | 5 ☐ Married filing separate return and spouse is not filing | 6 ☐ Head of Household (see instructions)

Residency Check One: 1 ☐ Resident Full Year | 2 ☐ Nonresident Full Year | 3 ☐ Resident Part Year | Give date of change | State moved to: | State moved from:

EXEMPTIONS	Regular	65 or Over	Blind	COLUMN A (For single joint, separate, or head of household)	COLUMN B (For spouse only when filing separate, and box 3 is checked)
1. Yourself	☐	☐	☐	Enter number checked ☐ 1	
2. Spouse	☐	☐	☐	Enter number checked ☐ 2	☐ 2
3. Number of exemptions claimed for dependents. See page 3 of instructions				☐ 3	☐ 3
4. Number of exemptions claimed for handicapped children. See page 3 of instructions				☐ 4	☐ 4
5. Add lines 1, 2, 3, and 4				Total Number Exemptions ☐ 5	☐ 5

ATTACH PAYMENT HERE

INCOME REPORTED FROM FEDERAL RETURN

INCOME REPORTED ON FEDERAL RETURN

Note: Line 20 *must* match your Federal Adjusted Gross Income

ROUND TO NEAREST DOLLAR

		COLUMN A (For single joint, separate or head of household)	COLUMN B (For spouse only when filing separate, and box 3 is checked)
6.	Wages, salaries, tips, etc. (Attach W-2's)	6.	
7.	Taxable interest income (Attach Federal Schedule if over $400)	7.	
8.	Dividend income (Attach Federal Schedule if over $400)	8.	
9.	Net business income (Attach Federal Schedule C or C-EZ)	9.	
10.	Capital gain or (loss) (Attach Federal Schedule D)	10.	
11.	Supplemental gains or (losses) (Attach Federal Form 4797)	11.	
12.	Rents, royalties, partnerships, estates, trusts, etc. (Attach Federal Schedule E & 8582)	12.	
13.	Net farm income (Attach Federal Schedule F)	13.	
14a.	Social Security Benefits 14a. _____ 14b. Taxable amount	14b.	
15a.	Total IRA distributions 15a. _____ 15b. Taxable amount (Attach 1099)	15b.	
16a.	Total pensions and annuities 16a. _____ 16b. Taxable amount (Attach 1099)	16b.	
17.	Other income (State Ref. _____ alimony _____ unemployment _____, etc., specify _____)	17.	
18.	Total of lines 6 thru 17 TOTAL ►	18.	
19.	Adjustments to income. Allowable IRA deduction _____ S.E. Tax _____ S.E. Health Insurance _____ Keogh/SEP _____ Other _____	19.	
20.	FEDERAL ADJUSTED GROSS INCOME (subtract line 19 from 18) ►	20.	

ADDITIONS

21.	Interest on state, county or municipal bonds (Non-Montana)	21.	
22.	Federal income tax refunds received (For taxes deducted in an earlier year)	22.	
23.	Other additions, transfer allocation of income (see instructions) (specify) _____	23.	
24.	Total additions to income (Add lines 21 thru 23) TOTAL ►	24.	
25.	Add lines 20 and 24, enter result ►	25.	

ATTACH WITHHOLDING STATEMENTS HERE

REDUCTIONS

26.	Capital gains exclusion (see instructions and worksheet page 5)	26.	
27.	Interest exclusion for elderly	27.	
28.	Interest exclusion for savings bonds, etc. (specify) _____	28.	
29.	Exempt retirement income (see worksheet; page 5) _____	29.	
30.	Unemployment	30.	
31.	Tip Income	31.	
32.	Other reductions, state refund, transfer allocation of income, recycling of material (see instructions) (specify) _____ NEW	32.	
33.	Total reductions to income (Add lines 26 thru 32) TOTAL ►	33.	
34.	Subtract line 33 from 25. Enter amount here and on line 35, page 2 ►	34.	

Form 2 PAGE 2 1992

Last Name and Initial	Social Security Number	COLUMN A (For single joint, separate or head of household)	COLUMN B (For spouse only when filing separate, and box 3 is checked)	
	– –			

AGI

35. MONTANA ADJUSTED GROSS INCOME (From line 34) ..... 35.

DEDUCTIONS — Check only one

36. Itemized Deductions: Enter total from Form 2A, line 90 or line 91 ..... (A) ☐
    Standard Deduction: Enter 20% of line 35 (but not more than $2,540. ..... (B) ☐
    Not more than $5,080 if filing joint or head of household) ..... 36.
37. Subtract line 36 from 35 and enter balance ..... ► 37.

EXEMPTIONS

38. Multiply $1,360 times the number of exemptions on line 5 ..... 38.
39. TAXABLE INCOME. Subtract line 38 from line 37 (But not less than zero) ..... ► 39.

TAX COMPUTATION

Nonresidents and Part-Year Residents See Instructions, Pages 13-14 NEW

40. Tax from tax table below or Schedule IV ..... 40.
41. Surtax—multiply amount on line 40 by 2.3% (.023). NEW ..... 41.
42. Tax on lump sum distributions (See instructions page 7). ..... 42.
43. Subtotal—Add lines 40, 41 and 42. ..... SUBTOTAL ► 43.
44. Credits from Form 2A, line 106 ..... 44.
45. Balance—Subtract line 44 from 43 and enter difference (But not less than zero) ..... ► 45.
46. Investment credit recapture ..... (Attach Form R.I.C.) 46.
47. Public Campaign Fund. You and your spouse each may contribute $1.00 ..... 47.
48. For each of the programs below you and your spouse each may contribute $5, 10, 20 or any amount. Enter totals in boxes. See instructions for details.

Nongame Wildlife Program	Child Abuse Prevention	Agriculture in MT Schools	DARE Program	Enter total amount in boxes ►
49.	50.	51.	52.	48.

53. TOTAL TAX—Add lines 45, 46, 47 and 48 ..... TOTAL ► 53.
54. Combine amounts shown on line 53, columns A & B ..... ► 54.

PAYMENTS AND CREDITS

55. Montana tax withheld ..... (Attach withholding statements) 55.
56. Payments on 1992 estimated tax, amounts credited from previous year and/or payments made with extension ..... 56.
57. Homeowner or Renter Credit ..... (Attach Form 2EC) 57.
58. Total of lines 55 thru 57 ..... TOTAL ► 58.
59. Combine amounts shown on line 58 columns A & B ..... ► 59.

REFUND OR AMOUNT YOU OWE

60. If line 59 is larger than line 54 enter amount OVERPAID ..... 60.
61. Amount on line 60 to be Refunded to You ..... REFUND ► 61.
62. Amount on line 60 to be applied to 1993 estimate 62.
63. If line 54 is larger than line 59 enter TAX DUE. Attach check or money order for full amount if $1.00 or more. Payable to State Treasurer ..... TAX DUE ► 63.

Mail to:
Income Tax Division
Montana Dept. of Revenue
P.O. Box 5805
Helena, Montana 59604-5805

Late filing penalty	64.
Late payment penalty	65.
Interest ¾% (.0075) per month	66.
Total of Lines 63, 64, 65 & 66	67.

Name, Address and Telephone number of preparer

Post dated checks will be returned

PLEASE SIGN HERE

☐ My/our initials authorize the State to contact the preparer regarding this return. I/we waive my/our constitutional right of privacy for this limited purpose. NEW

☐ If you do not need state income tax forms and instructions mailed to you next year, check box.

Your signature | Date | Telephone Number | Spouses signature (if filing jointly, both must sign) | Date

I declare under penalty of false swearing that the information in this return and attachments is true, correct and complete.

TAX TABLE

If Taxable Income is: Over	But not over	Multiply by	and Subtract	= Tax
$ 0	$ 1,700	× .2%	$ 0	
$ 1,700	$ 3,400	× .3%	$ 17	
$ 3,400	$ 6,800	× .4%	$ 51	
$ 6,800	$ 10,200	× .5%	$ 119	
$ 10,200	$ 13,600	× 6%	$ 221	

If Taxable Income is: Over	But not over	Multiply by	and Subtract	= Tax
$ 13,600	$ 17,000	× 7%	$ 357	
$ 17,000	$ 23,700	× 8%	$ 527	
$ 23,700	$ 33,900	× 9%	$ 764	
$ 33,900	$ 59,400	× 10%	$ 1,103	
$ 59,400		× 11%	$ 1,697	

Example = taxable income $2,000 × 3% (.03) = $60 subtract $17 = $43 tax

TOTAL INCOME

Total Income includes salaries and wages, interest and dividends, state refunds, alimony, net business income, capital gain income, pension income, rents and royalties, net farm income unemployment compensation, social security benefits and any other misc. income.

Less Adjustments To Income:

IRA/Keogh Deductions
Self- Employment Taxes
Self -Employment Insurance Deduction
Alimony Paid

EQUALS FEDERAL ADJUSTED GROSS INCOME

Plus Additions To Arrive at Montana Adjusted Gross Income

Non-Montana Bond Interest Income
Federal Tax Refunds
Other Additions

Less Subtractions To Arrive at Montana Adjusted Gross Income

40% Capital Gain Exclusion
Interest Exclusion For The Elderly
Interest Exclusion For U.S. Savings Bonds
Exempt Retirement Income
Unemployment Benefits
Tip Income
Other Reductions

EQUALS MONTANA ADJUSTED GROSS INCOME

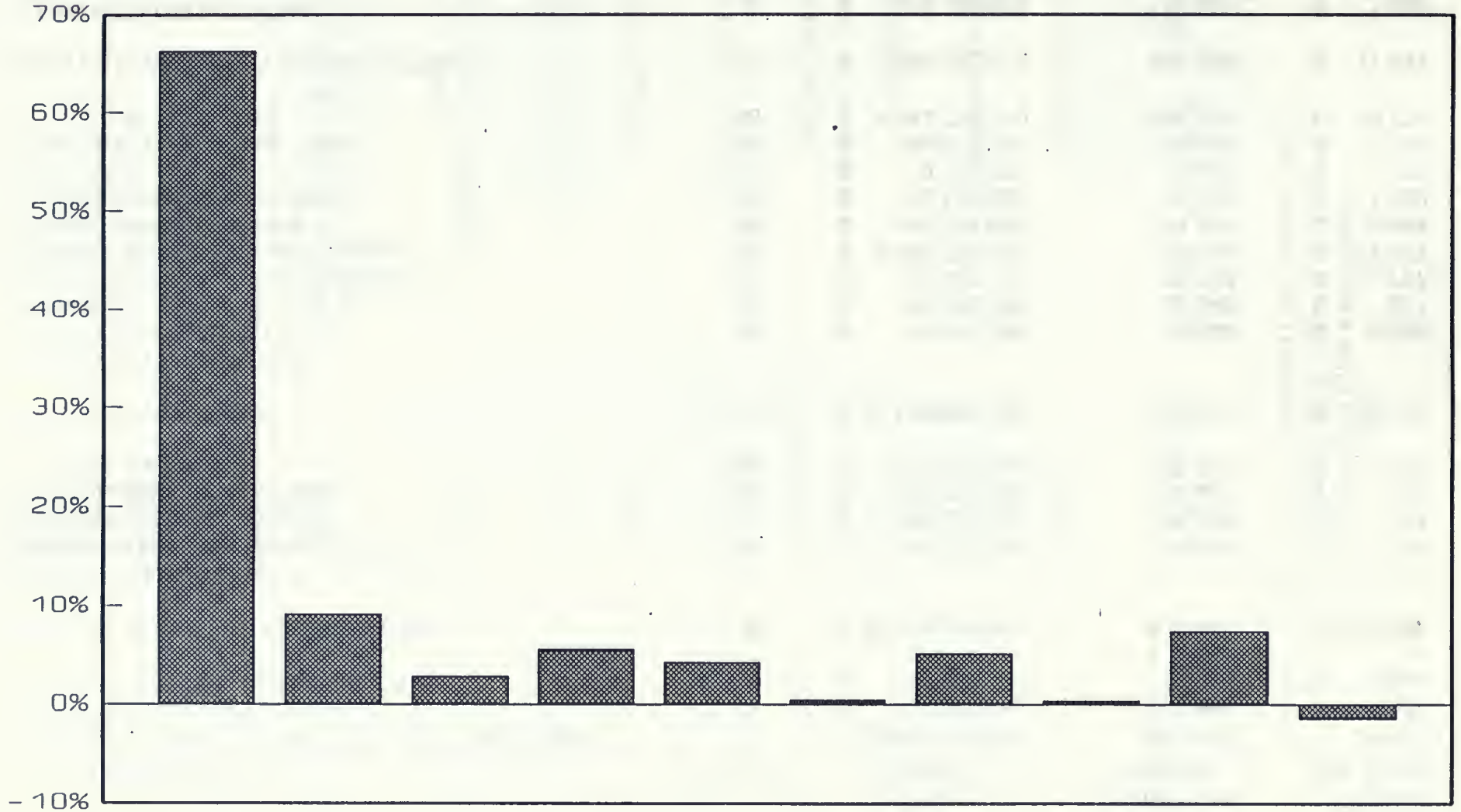
Less: Itemized Deductions or Standard Deduction

Less: Personal Exemptions

EQUALS MONTANA TAXABLE INCOME

Components of Reported Income

(Full Year Residents - 1990 Returns)



Reconciliation Of Total Income From All Sources (Federal) And Montana Taxable Income
ALL Filers – 1991 Tax Year

Item of Information	Line	Total Reported	Number of Returns	Average per Return
TOTAL INCOME FROM ALL SOURCES (FEDERAL)	17	$ 10,955,730,936	439,492	$ 24,928
Payments to an IRA, Keogh, etc.	18	$ 151,221,543	79,944	$ 1,892
TOTAL FEDERAL ADJUSTMENTS	18	$ 151,221,543	79,944	$ 1,892
FEDERAL ADJUSTED GROSS INCOME	19	$ 10,804,509,393	439,447	$ 24,587
MONTANA ADDITIONS:				
Interest on Non–MT Municipal Bonds	20	$ 78,127,942	14,633	$ 5,339
Federal income tax refunds	21	$ 95,855,879	98,392	$ 974
Other additions, transfer alloc.	22	$ 165,394,108	23,623	$ 7,001
TOTAL ADDITIONS	23	$ 339,377,929	125,313	$ 2,708
FAGI PLUS ADDITIONS	24	$ 11,143,887,322	439,734	$ 25,342
MONTANA REDUCTIONS:				
Capital gains exclusion	25	$ 19,957,269	8,568	$ 2,329
Interest exclusion for elderly	26	$ 49,596,339	56,940	$ 871
Interest exclusion for savings bonds	27	$ 97,837,103	25,764	$ 3,797
Income from non–Montana sources	28	$ 2,687,782,315	32,968	$ 81,527
Exempt retirement income	29	$ 146,438,669	41,916	$ 3,494
Unemployment Compensation	30	$ 45,513,537	25,405	$ 1,792
Tip Income	31	$ 9,121,091	5,587	$ 1,633
Other reductions, transfer alloc.	32	$ 388,511,787	89,979	$ 4,318
TOTAL REDUCTIONS	33	$ 3,444,758,110	205,313	$ 16,778
MONTANA ADJUSTED GROSS INCOME	35	$ 7,699,129,212	436,280	$ 17,647
STANDARD DEDUCTIONS	36	$ 294,289,572	180,565	$ 1,630
ITEMIZED DEDUCTIONS	36	$ 1,965,776,495	237,684	$ 8,271
EXEMPTION VALUE	38	$ 1,049,172,952	436,242	$ 2,405
MONTANA TAXABLE INCOME	39	$ 4,928,315,919	378,242	$ 13,030

1991
MONTANA INCOME TAX ANALYSIS
ALL TAXPAYERS
COMPARISON OF ITEMIZED VS. STANDARD FILERS

ITEM	ITEMIZED	STANDARD
# OF RETURNS	258,444	181,772
TOTAL RETURNS	440,216	440,216
PERCENT	58.7%	41.3%
DEDUCTIONS	$1,963,044,828	$297,021,239
TAXABLE INCOME	$3,896,442,997	$1,031,872,922
# OF RETURNS	258,444	181,772
AVG. TAXABLE INC.	$15,077	$5,677
AVG. STD. & ITEMIZED DEDUCTION	$7,596	$1,634
ITEM. OR STD. DEDUCTION AS A % OF TAXABLE INCOME	50.4%	28.8%

FORM 2A PAGE 1 1991 — Montana

Last Name and Initial | Social Security Number — —

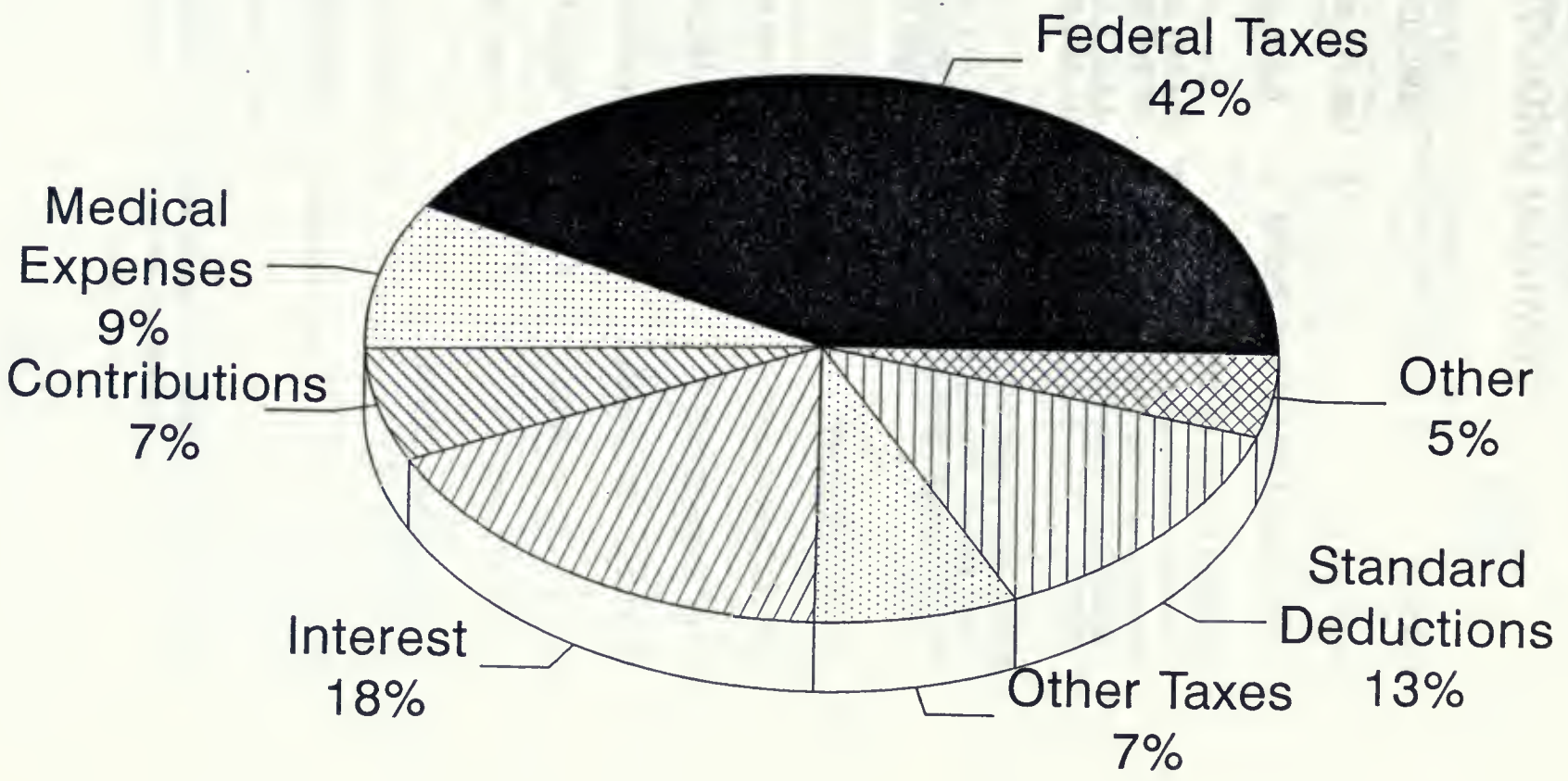
SCHEDULE I — ITEMIZED DEDUCTIONS

	COLUMN A (For single, joint, separate or head of household)	COLUMN B (For spouse)	
Medical and Dental Expenses			
67. Prescription medicines, drugs, insulin, doctors, dentists, hospitals, ins. prems., transportation, lodging, hearing aids, dentures, eyeglasses ..... 67.			
68. **Enter 7.5% (.075) of line 35, Form 2** ..... 68.			
69. **Subtract** line 68 from line 67 ..... 69.			
Enter amount(s) from line 69 on line 70 in corresponding column(s)			
NEW **TOTAL MEDICAL AND DENTAL** ► 70.			70.
Taxes You Paid			
71. Long Term Care Insurance ..... 71.			
Federal Income Tax (Do not include self-employment tax)			
72. Paid by withholding or declaration in 1991 ..... 72.			72.
73. Balance of 1990 tax paid in 1991 ..... 73.			73.
74. Additional tax for years_____paid in 1991 ..... 74.			74.
Other taxes (Do not include Montana income tax or sales tax).			
75. Real estate, personal property taxes ..... 75.			75.
76. Motor vehicle(s) fees/taxes, other deductible taxes ..... 76.			76.
Interest You Paid			
NOTE: Personal interest is no longer deductible NEW			
77. Home mortgage interest _____ Deductible Points _____ 77.			77.
78. Deductible Investment Interest ..... Attach Federal Form 4952 78.			78.
Other			
79. **Contributions** ..... 79.			79.
80. **Child and Dependent Care Expense**—Montana Form 2441M (Federal schedule not accepted) ..... 80.			80.
81. **Casualty and Theft Losses** (Less exclusion—Attach Federal Form 4684) 81.			81.
82. **Moving Expense** ..... (Attach Federal Form 3903) 82.			82.
Miscellaneous Deductions	COLUMN A	COLUMN B	
83. Unreimbursed business expenses (Attach 2106) 83.			
84. Other expenses (List type & amount) _____ _____ 84.			
85. Add lines 83 and 84 ..... 85.			
86. Enter 2% (.02) of line 35, Form 2 ..... 86.			
87. **Subtract** line 86 from 85 enter balance in corresponding column(s) **(If less than zero enter zero.)** ..... 87.			87.
88. Misc. deduction not subject to 2% A.G.I. (list type, & amount) _____ _____ 88.			88.
Total Deductions			
89. Add lines 70-88 ..... **TOTAL DEDUCTIONS** ► 89.			89.
If the amount on Form 2, line 35, is less than $100,000 if filing joint, single or head of household, or is less than $50,000 if you are married filing separately, enter the amount from line 89 above, on Form 2, line 36. NEW			
90. **ALLOWABLE DEDUCTIONS** ..... ► 90.			90.
If the amount on Form 2, line 35, is more than $100,000 if filing joint or single, or is more than $50,000 if you are married filing separately, see page 8 of the instructions for the amount to enter on line 90.			

ROUND TO NEAREST DOLLAR

Deductions Claimed on 1991 Returns

By Dollar Value



1991
MONTANA INCOME TAX ANALYSIS
SUMMARY OF
ITEMIZED DEDUCTIONS

ITEM		TOTAL AMOUNT	# OF CLAIMS	AVERAGE
MEDICAL	$	198,427,824	79,844	$2,485
LONG TERM CARE INS. PREM.	$	5,871,731	2,914	$2,015
FEDERAL TAX DEDUCTION				
Paid by W/H or Est. Tax	$	802,567,283	202,357	$3,966
Balance of 1990 Paid in 1991		128,229,656	57,240	2,240
Additional Taxes for other Years		13,672,147	5,567	2,456
TOTAL	$	944,469,086	265,164	$3,562
PROP. & OTHER TAXES				
Real Estate, Personal Property	$	137,617,520	146,291	$ 941
Motor Vehicle & Other Taxes		26,293,232	111,134	237
TOTAL	$	163,910,752	257,425	$ 637
MORTGAGE INT.	$	365,418,129	105,758	$3,455
INVESTMENT INT.	$	32,726,095	10,987	$2,979
CONTRIBUTIONS	$	151,562,208	146,602	$1,034
CHILD & DEP CARE	$	2,486,053	2,242	$1,109
CASUALTY LOSSES	$	2,133,149	593	$3,597
MOVING EXP.	$	13,891,993	4,802	$2,893
BUSINESS & OTHER EXPENSES	$	81,791,382	46,932	$1,743
MISC. EXP.	$	3,088,093	2,385	$1,295
TOTAL	$	1,965,776,495		

Note: A return filed may have federal tax deductions on more than one line. Thus, one return can be counted twice when all lines are totaled.

Montana

Last Name and Initial | Social Security Number — —

SCHEDULE II — CREDITS AGAINST TAX

		COLUMN A (For single, joint, separate or head of household)	COLUMN B (For spouse)	
NEW	91. Physician Credit for Rural Practice ..... (See instructions) 91.			91.
NEW	92. College Contribution Tax Credit .... Attach Form CC (See Instructions) 92.			92.
	93. Credit for elderly care ..... Attach Form ECC 93.			93.
	94. Credit allowed residents for income taxes paid to other states or countries ..... From Schedule III 94.			94.
	95. Contractor's gross receipts tax credit ..... Attach computation 95.			95.
	96. Investment credit ..... From Schedule IV 96.			96.
NEW	97. Credit for installation of Nonfossil/Biomass/ Geothermal energy systems ..... Attach Form ENRG-B 97.			97.
	98. Credit for investment in energy conservation installations ..... Attach Form ENRG-C 98.			98.
	99. Credit for wind-powered generation equipment .... Attach Form 2WPC 99.			99.
	100. Montana Capital Company Credit ..... (See instructions) 100.			100.
NEW	101. Dependent Care Assistance Credit ..... (Employer) Attach Form DCAC 101.			101.
NEW	102. Health Insurance for Uninsured Montanans . (Employer) Attach Form HI 102.			102.
	103. All other credits ..... (Attach detailed explanation) 103.			103.
	104. **Total credits**—Enter here and on Form 2, line 43 ..... 104.			104.

SCHEDULE III — CREDIT ALLOWED RESIDENTS FOR INCOME TAXES PAID OTHER STATES OR COUNTRIES

(See page 9 of instructions)

ATTACH COPY OF OUT-OF-STATE RETURN

		COLUMN A (For yourself, joint separate or single)		COLUMN B (For spouse)		
1.	Adjusted gross income from other state or country included in Montana adjusted gross income ..... 1.					1.
2.	Total Montana adjusted gross income from line 35 of return ..... 2.					2.
3.	Income tax liability to other state or country ..... 3.					3.
4.	Montana tax liability from line 42 of Form 2 ..... 4.					4.
5.	Line (1) divided by line (2), but not more than 100% ..... 5.		%		%	5.
6.	Multiply amount on line (4) by the percentage on line (5) ..... 6.					6.
7.	Allowable credit is the smaller of the amount on line (3) or (6). Enter here and on line 94, Schedule II ..... 7.					7.

SCHEDULE IV — INVESTMENT CREDIT

(See page 9 of instructions)

		COLUMN A (For yourself, joint separate or single)		COLUMN B (For spouse)		
1.	Qualified investment credit from 1991 Federal Form 3468 ..... 1.					1.
2.	Enter 5% of line 1 (Not to exceed $500) ..... 2.					2.
3.	Carryover of unused Montana investment credit (**Attach breakdown by year**) . 3.					3.
4.	Tentative Montana investment credit (Add lines 2 and 3) ..... 4.					4.
5.	Tax from line 42 of Form 2 ..... 5.					5.
6.	(a) Credit for income taxes paid to other states and countries 6.a					6.a
	(b) Contractor's gross receipts tax credit 6.b					6.b
7.	Add lines 6 (a) and (b) ..... 7.					7.
8.	Subtract line 7 from 5 ..... 8.					8.
9.	Enter here and on line 96, Schedule II, the amount from line 4 or line 8, whichever is smaller. ..... 9.					9.

NOTE: 1. Married persons filing separately will each use $500 as the limits if both qualify for the credit.
2. The unused portion of the 1991 investment tax credit **may not** be carried back or carried over.

1991
MONTANA INCOME TAX ANALYSIS
SUMMARY OF
INCOME TAX CREDITS

ITEM		TOTAL AMOUNT	# OF CLAIMS	AVERAGE
RURAL PHYSICIAN CREDIT	$	23,229	14	$1,659
COLLEGE CONTRIBUTION CREDIT	$	45,979	960	$48
ELDERLY CARE CREDIT	$	119,528	68	$1,758
FOREIGN TAX CREDIT	$	3,498,826	5,707	$613
CONTRACTORS GROSS RECEIPTS CREDIT	$	215,866	100	$2,159
INVESTMENT CREDIT	$	402,607	636	$ 633
NONFOSSIL ENERGY CREDIT	$	163,473	908	$180
ENERGY CONSERVATION CREDIT	$	118,331	1,722	$69
WIND-POWERED GERERATION	$	11,985	153	$78
CAPITAL COMPANY CREDIT	$	177,469	48	$3,697
DEPENDENT CARE ASSISTANCE CREDIT	$	7,555	7	$1,079
EMPLOYEE HEALTH INSURANCE CREDIT	$	8,290	11	$754

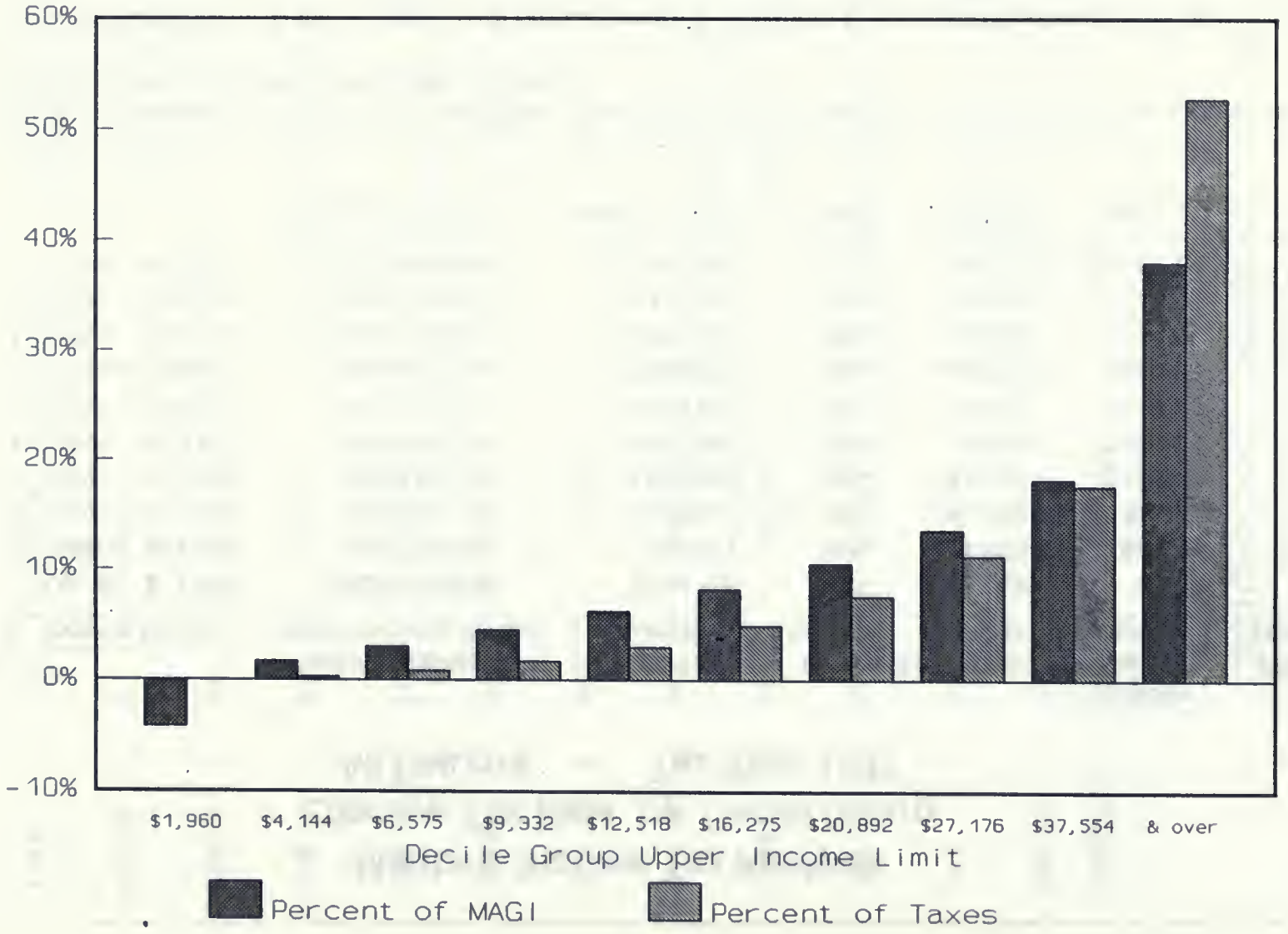
Montana Income Tax Analysis
Effective Tax Rate by Decile Group
All Returns – Tax Year 1991

Decile Group*	Income Range	Montana Adjusted Gross Income (MAGI)	Total Tax Liability	Returns in Bracket Percent	Returns in Bracket Number	Average Tax per Taxpayer	Effective Tax Rate**
1	Up to $ 1,960	($323,259,803)	$100,495	10%	44,022	$2.28	na
2	$ 1,960 – $ 4,144	133,722,815	896,317	10%	44,022	$20.36	0.67%
3	$ 4,144 – $ 6,575	234,668,132	2,426,528	10%	44,022	$55.12	1.03%
4	$ 6,575 – $ 9,332	348,978,737	4,848,355	10%	44,022	$110.13	1.39%
5	$ 9,332 – $12,518	479,070,155	8,519,483	10%	44,022	$193.53	1.78%
6	$12,518 – $16,275	631,143,812	14,080,612	10%	44,022	$319.85	2.23%
7	$16,275 – $20,892	813,981,933	21,674,206	10%	44,022	$492.35	2.66%
8	$20,892 – $27,176	1,049,146,139	32,314,751	10%	44,022	$734.06	3.08%
9	$27,176 – $37,554	1,402,771,446	50,441,810	10%	44,022	$1,145.83	3.60%
10	$37,554 and over	2,928,905,846	150,897,000	10%	44,022	$3,427.76	5.15%
		$7,699,129,212	$286,199,557	100%	440,220	$650.13	3.72%

* Each decile group includes one–tenth of all returns filed. The first group includes returns with the very lowest incomes, while the last group includes returns having the highest incomes.

** Effective tax rate is defined as tax liability divided by gross income. It measures the percent of gross income paid in income tax.

Percentage MAGI and Tax Paid--All Filers
Tax Year 1991 by Decile Group



Comparison of Indivdual Income Tax Burdens

Tax Per $1,000 of Personal Income

All States and the District of Columbia, 1991

National

Rank	State/Disctrict	Tax Per $1,000 P.I.
1	District of Columbia	$44.04
2	Oregon	40.32
3	Massachusetts	39.33
4	Hawaii	38.51
5	New York	36.42
6	Minnesota	36.18
7	Wisconsin	34.86
8	Delaware	34.46
9	North Carolina	32.61
10	Kentucky	30.59
11	Utah	29.54
12	Idaho	28.93
13	Iowa	28.07
14	Maryland	28.01
15	Maine	27.46
16	California	27.15
17	Georgia	26.58
18	Virginia	26.48
19	South Carolina	26.16
20	Vermont	26.04
21	Oklahoma	25.06
22	Arkansas	23.78
23	Colorado	23.51
24	West Virginia	23.41
25	Indiana	23.28
26	**Montana**	23.18
27	Rhode Island	22.72
28	Michigan	22.15
29	Ohio	22.11
30	Nebraska	21.75
31	Arizona	21.13
32	Missouri	20.42
33	Kansas	19.55
34	Illinois	19.42
35	Alabama	18.88
36	New Jersey	17.58
37	New Mexico	17.04
38	Pennsylvania	14.74
39	Mississippi	14.53
40	Lousiana	13.12
41	North Dakota	11.80
42	Connecticut	5.66
43	New Hampshire	1.60
44	Tennessee	1.25

Regional

Rank	State/Disctrict	Tax Per $1,000 P.I.
1	Oregon	$40.32
2	Utah	29.54
3	Idaho	28.93
4	**Montana**	23.18
5	North Dakota	11.8

States with No Income Tax

Alaska
Texas
South Dakota
Washington
Florida
Nevada
Wyoming

# of States with Income Tax: 43

SOURCE: State Government Tax Collections, U.S. Department of Commerce, 1991.

Comparison of Tax Structure

Montana and Surrounding States
Individual Income Tax

State	Rates	Taxable Income Brackets		Personal Exemptions			Standard Deductions		
		Lowest	Highest	Single	Married–J	Dependents	Percent	Single	Married–J
Idaho	2.0% – 8.2%	1,000	20,000	2,300	4,600	2,300	N/A	3,600	6,000
Montana	2.0% – 11.0%	1,600	57,600	1,320	2,640	1,320	20	2,470	4,940
North Dakota	2.7% – 12.0%	3,000	50,000	2,300	4,600	2,300	N/A	3,600	6,000
Oregon	5.0% – 9.0%	2,000	9,000	104	208	104	N/A	1,800	3,000
Utah	2.6% – 7.2%	750	3,750	1,613	3,226	1,613	N/A	3,600	6,000
South Dakota	----------			NO STATE INCOME TAX			----------		
Washington	----------			NO STATE INCOME TAX			----------		
Wyoming	----------			NO STATE INCOME TAX			----------		

SOURCE: Significant Features of Fiscal Federalism, ACIR, 1992.

MDOR Office of Research and Information 06–Jan–93

SOME ITEMS OF MONTANA'S INDIVIDUAL INCOME TAX SYSTEM THAT DIFFER FROM OTHER STATES

Tax Item	*Tax Expenditure**	*Comments*
RETIREMENT EXCLUSION • *Maximum $3,600*	$6.817 million	Phased out $2 for every $1 over $30,000 of Fed AGI
UNEMPLOYMENT BENEFITS	$2.209 million	One of 13 states
ELDERLY INTEREST EXCLUSION	$ 1.922 million	One of very few states
TIP INCOME	$ 330,000	One of very few states
MARRIED-SEPARATE FILING • *Advantageous Filing Status*	$ 34 million	One of 10 states
SOCIAL SECURITY BENEFITS	$ 25.329 million	One of 13 states
CAPITAL GAINS EXCLUSION	$ 1.185 million	Pre-1987 gains only
FEDERAL TAX DEDUCTION	$ 90.936 million	One of 10 states

* Tax Expenditure report for the State of Montana for fiscal years 1994 & 1995

RECENT SIGNIFICANT CHANGES TO MONTANA INDIVIDUAL INCOME TAX STATUTES

ESTIMATED TAX REQUIREMENTS

Effective Jan. 1, 1993 Montana's Estimated Tax requirements changed as a result of passage of HB 14, January 92 Special Session. Montana taxpayers who have a tax liability (after subtracting credits & withholding) greater than $500 will be required hereafter to file estimated tax payments. The administrative mechanisms and threshold amounts were patterned after federal requirements.

The schedule for these payments is:

April 15th ** June 15th ** September 15th ** January 15th

The amount required to be paid is the lesser of 100% of the previous year's liability or 90% of the current year's liability.

Expected effect: 1 time acceleration of revenues and places the wage earner and the self employed person on the same footing regarding a "pay as you go" concept.

NONRESIDENT TAX CALCULATION REQUIREMENTS

Effective for tax years beginning on or after Jan. 1, 1992, the tax calculations for nonresidents and part-year residents changed as a result of passage of HB 54, July 1992 Special Session. These taxpayers must now determine taxable income in the same manner as residents. Previously, the statutes required extensive sourcing of income and expenses as well as a proration of personal exemptions. Under the new law, the tax due is calculated based on a single proration of income earned in Montana to total income multiplied times the tax on a nonresident's total income.

Expected Effect: On balance, place these taxpayers in a higher marginal tax bracket.

RECENT CHANGES CONTINUED

SURTAX

Effective for tax years 1992 and 1993, tax calculations for individual income tax are required to include the addition of a surtax as a result of passage of HB44, (July 1992 Special Session). The rate applied to 1992 liabilities is 2.3% and for 1993 liabilities the rate is 4.7%.

To implement the surtax for income tax purposes, withholding tables were revised for the last 3 months of 1992 to impose the surtax at 7% as a "catch-up" for the 9 previous months of no withholding for the surtax. Another set of tables were issued effective January 1, 1993 to change the surtax from the previous temporary 7% to the new rate of 4.7%. In addition, adjustments were made to compensate for inflation since 1987 - the base year of the current tables. Generally, this lowered Montanans' withholding.

Expected Effect: Reduce the proportion of filers claiming refunds from 56 % to something closer to 50%.

EXTENSION REQUIREMENTS

Effective for tax years 1992 and beyond, HB 959, (1991 Regular Session), individuals requesting an extension of time to file their returns are required to have paid the lesser of 100% of their previous year's tax liability or 95% of the current year's tax liability.

Expected Effect: Acceleration of 1 time revenue into fiscal 1992.

WITHHOLDING TAX

5-Year History of Tax Tables

1-1-87 The 1983 tax tables were revised to address middle income, two-wager earner families who were consistently underwithheld; lower income families who were overwithheld; and tax indexation.

7-1-87 The 1987 Legislature enacted a 10% surtax effective for tax year 1987 and 1988. Tax tables effective 7-1-87 reflected a 20% increase in withholding over the last 6 month of 1987.

1-1-88 Tax tables were revised to reflect the 10% surtax over the entire 1988 tax year.

1-1-89 Tables were published to reflect removal of the 10% surtax.

1-1-90 The 5% Education Surtax in Lieu of a General Sales Tax was enacted by the Legislature in 1989. The tax tables were revised to reflect the 5%.

1-1-91 The 5% Surtax was removed; tables reflected the decrease.

9-1-92 Tables reflect the 2.3% surtax enacted by the July 1992 Special Session of the Legislation.

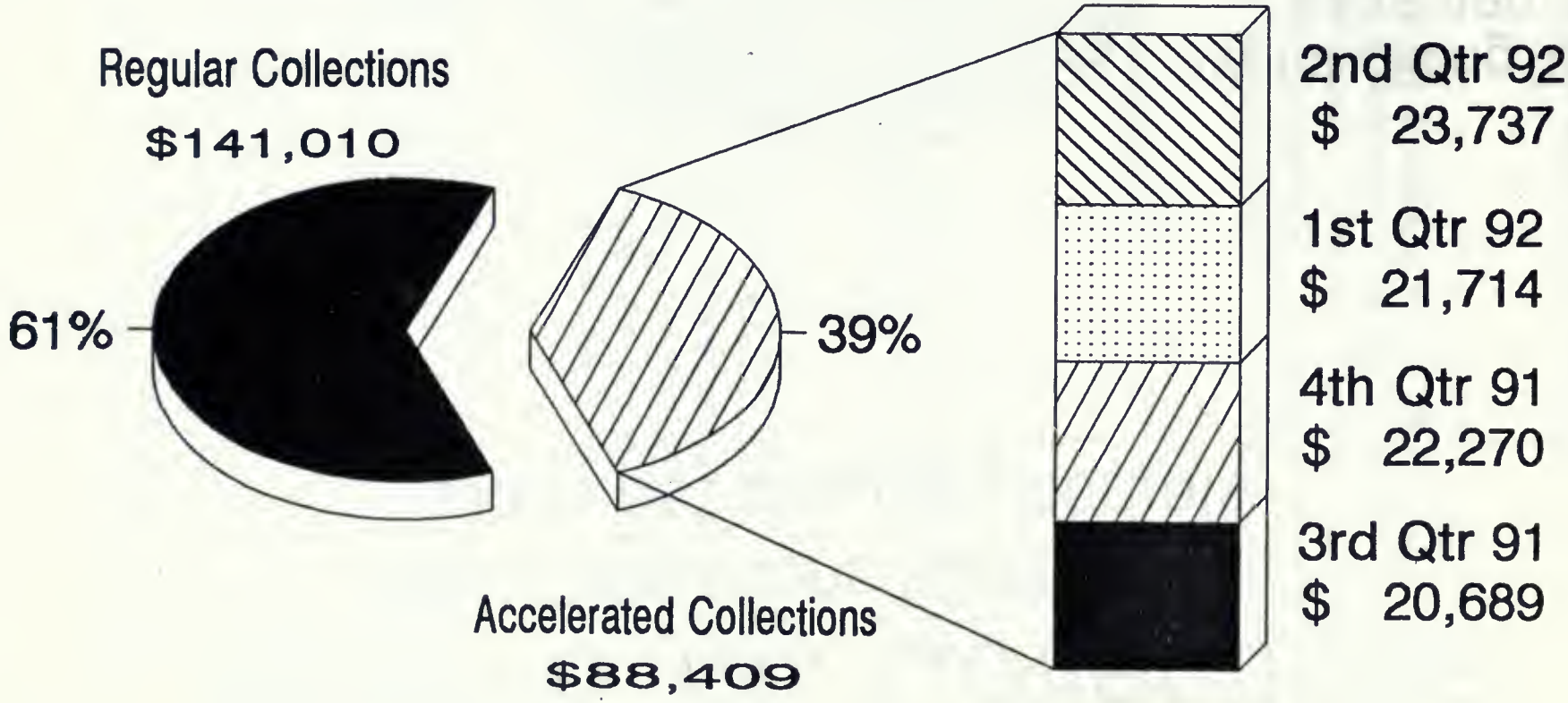
1-1-93 Tax tables were published to reflect the 4.6% Surtax enacted by the July 1992 Special Session and in addition, adjustments for inflation occurring since 1987. The net result was a decrease in withholding from the previous tables.

Percentage of Refund Returns and Average Refund

Calendar Year	Total Returns Processed	Number of Refund Returns	Percentage of Refund Returns	Average Refund
1987	363,796	177,841	49%	$199.82
1988	364,448	179,890	49%	$213.28
1989	368,882	188,734	51%	$214.42
1990	377,079	207,036	55%	$226.63
1991	389,953	217,114	56%	$236.31

Withholding Collections

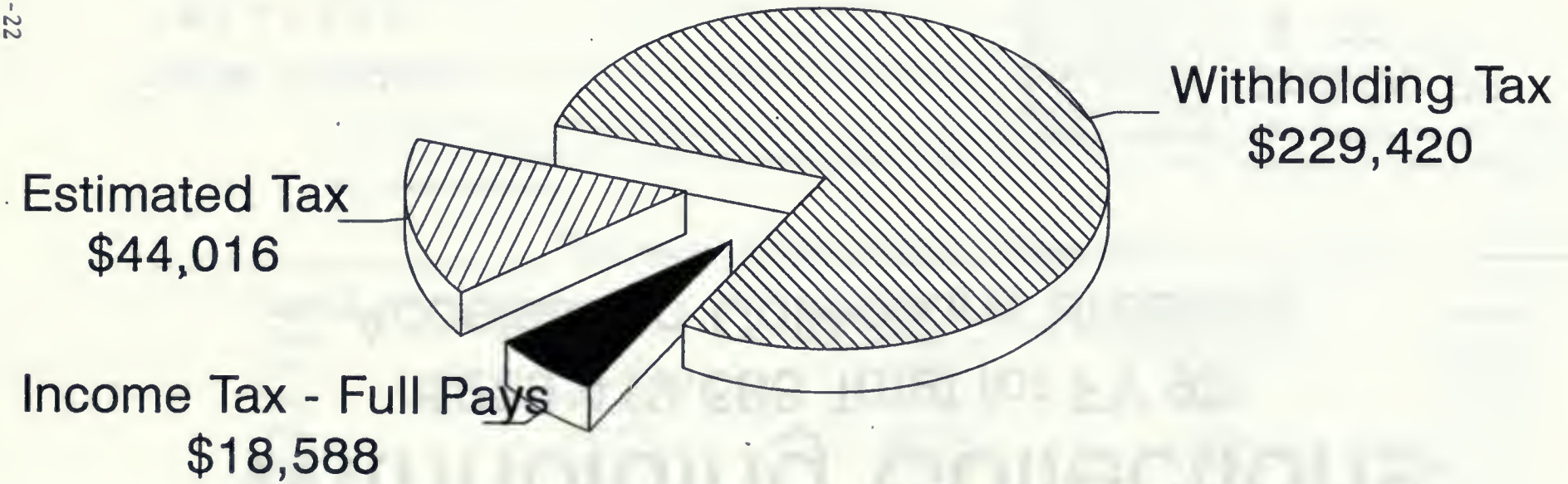
$229,419,688 Total for FY 92
Accelerated Collections Breakout



Amounts are in millions

Income Tax Collections

Total Collections $292,023,557
Does not include accruals



Amounts are in thousands of dollars

"INCOME TAX REFORM" PROPOSALS AS IDENTIFIED IN PREVIOUS SESSIONS

In no particular order:

LIMITING DEDUCTIBILITY OF FEDERAL INCOME TAXES. Under current law a person who itemizes deductions in arriving at taxable income (as opposed to taking a standard deduction), is allowed to deduct all federal income taxes paid during the tax year. Montana is 1 of 10 states to allow this deduction. This is the largest itemized deduction accounting for 48% of the total.

Previous suggestions included eliminating the deduction or placing a "cap" or upper limit on the allowable amount.

"TIE TO FEDERAL" Under current law we are substantially tied to federal tax codes. The previous discussions of tieing to federal explored 2 further options: either tieing Montana's tax calculations to a percentage of federal taxable income or a percentage of federal tax liability.

FEDERAL TAXABLE INCOME Past proposals which tied Montana to federal taxable income meant accepting the federal itemized deductions and federal exemptions. However, federal taxable income would have to be reduced at least by income which can not be taxed by Montana, such as interest on U.S. savings bonds, Indian income, railroad retirement, etc. The Montana tax liability was then calculated using the same or a revised income tax rate structure.

FEDERAL TAX LIABILITY Proposals which tied the Montana tax liability to a percentage of the federal tax liability involve a two step process. First, the federal taxable income is reduced by income which cannot be taxed by Montana because of federal law, then the tax is recalculated using the federal rates. Secondly, the revised federal tax is multiplied by the desired Montana percentage to arrive at a person's Montana tax liability. An important consideration in this approach is the federal starting point. Other states which tie to federal tax liability have different starting points; some after the federal tax liability but before federal credits and some after the federal credits including the earned income credit.

"INCOME TAX REFORM" PROPOSALS AS IDENTIFIED IN PREVIOUS SESSIONS
continued

"FLAT TAX" An unartful term but as applied to income tax, it generally refers to a single tax rate in contrast to our current graduated rate schedule (tax rates from 2% to 11%). The single rate is applied to taxable income as the base. A "flat tax" can take many forms such as a "tie to federal" as discussed above, applying a single rate to a federal base reduced by personal exemptions and standard deductions, or some other regime.

SURTAX / SURCHARGE Under current law the surtax applied to income tax is 4.7% of the normally calculated tax. Surtaxes are often misunderstood to be an absolute increase to the current rate schedules. While a surtax has the effect of increasing taxes it is an additional amount of tax due calculated by applying the surtax percentage times the normally calculated tax. A surtax is administratively accomplished by revising withholding tables and adding a single line to the return.

In recent years Montana has imposed the following surtaxes:

Calendar Year	Surtax Rate
1987	10%
1988	10%
1989	no surtax
1990	5%
1991	no surtax
1992	2.3%
1993	4.7%

JOINT RATES Under current law, Montana is one of 10 states in which it is advantageous for married couples who both have income to file separate returns. The ability for a married person to file a separate return creates a tax advantage because the taxable income of each spouse is generally taxed at a lower rate than if both spouses' incomes were combined and then taxed. This is true because Montana's tax rates are graduated and do not distinguish by filing status. Federal tax statutes in contrast, encourage married couples to file jointly.

INCOME & MISCELLANEOUS TAX DIVISION
TAX CALENDAR

4 January 1993

7 January 1993

INCOME & MISCELLANEOUS TAX DIVISION
TAX CALENDAR

A/R TAX	M.C.A. REFERENCE	TAX RATE OR LICENSE FEE	DESCRIPTION	DUE DATE	PENALTY/INTEREST
AT Accommodations Tax (Lodging Facility Use Tax)	Section 15-65-111 Rules 42.14.101 HB 44	4% of Accommodation charge collected by the facility. Charges do not include charges for rooms used for purposes other than lodging. Rate change effective 10-1-92 through 9-30-93 to 4.28%.	The tax is paid by any facility represented to the public as a hotel, motel, campground, resort, dormitory, condominium inn, dude ranch, guest ranch, hostel, public lodging house, or bed and breakfast facility.	Due quarterly. The report is due the last day of the month following the close of each calendar quarter and must be accompanied by a payment in an amount equal to the tax.	10% delinquency penalty; 10% deficiency assessment penalty; 1% interest per month; Credit for overpayment; 5 year statute of limitations.
CD Recreation Vehicle Fee	Section 61-3-524 No Rules	Recreation Vehicle fee $3.50	Includes campers under the definition of motor vehicles subject to a Recreation Vehicle fee for the Fish, Wildlife & Parks Dept.	D.O.R only tracks deposits for the Fish Wildlife & Parks Department.	No penalty/interest
CT Cigarette Tax	Section 16-11-101 Rules 42.31 HB 44	Eighteen cents per package of twenty or twenty two ½ cents per pack of twenty-five. Effective 8-18-92 through 8-14-93 19.26 cents per pack of 20, or 1/20 of the tax per pack on each cigarette for packs of more or less than 20, less a 6% discount allowed wholesalers on the first 2,580 units, 4% discount on the second 2,580 units and 3% discount thereafter per month.	This tax applies to cigarettes brought into and sold in Montana. Tax is accounted for through Pitney Bowes Cigarette Tax Meters, and hand applied decals.	Meter units are paid for on date of purchase or if bonding requirements are met, within 30 days of purchase. Along with meter unit machine the heat-applied machine can be used.	$5 per day or 5% of tax whichever is greater. Penalty is assessed <u>after</u> assessment becomes final.

7 January 1993

INCOME & MISCELLANEOUS TAX DIVISION
TAX CALENDAR

A/R TAX	M.C.A. REFERENCE	TAX RATE OR LICENSE FEE	DESCRIPTION	DUE DATE	PENALTY/INTEREST
CL Cigarette Wholesaler and Retailer Licenses	Section 16-11-120 See Cigarette Tax	$5 per retail license, $50 per subjobber, $50 per wholesaler license, $5 for 9 or less vending machines, $50 for 10 or more vending machines.	License is regulatory in nature and for the purpose of protecting cigarette tax revenue.	Licenses are issued on a fiscal year basis from July 1 to June 30. Applications are made before July 1. No penalty/interest	
CC Consumer Counsel Fee	Section 69-1-223 No Rules	Fee rate set annually for succeeding fiscal year by Miscellaneous Tax Section to cover appropriation to the office of the consumer counsel. Fee rate is currently .04% effective 7-1-92. Municipalities pay the lessor of .06% or the rate charged other entities.	This fee applies to the gross operating revenue from all intrastate activities regulated by the Public Service Commission.	Due quarterly within ninety (90) days after the end of each calendar quarter.	10% delinquency penalty; 10% deficiency assessment penalty; 1% interest per month; Right to a waiver; Credit for overpayment; 5 year statute of limitations.
CG Contractors Gross Receipts Fee	Section 15-50-205 Rules 42.31.2101	One percent of gross amount of all public contracts greater than $5,000.	Fee applies to prime contractors and all layers of sub contractors.	Within thirty days after fee has been withheld or payment received.	10% late pay penalty. No interest.
DD Dangerous Drug Tax	Section 15-25-101 Section 15-25-111 Rules 42.34.101	The tax rate will vary and is determined by the kind of drugs in their possession at time of arrest.	This tax applies to any person who is arrested and charged with possession or storage of any illegal substance.	The tax is due immediately after receipt of notice of assessment.	5% administrative fee; 10% deficiency penalty; 12% interest from due date.

INCOME & MISCELLANEOUS TAX DIVISION
TAX CALENDAR

A/R	TAX	M.C.A. REFERENCE	TAX RATE OR LICENSE FEE	DESCRIPTION	DUE DATE	PENALTY/INTEREST
NE	Emergency Telephone Fee (9-1-1)	Section 10-4-201 Rules 42.31.401	25 cents a month per access line on each subscriber.	This fee applies to each access line of each subscriber to telephone service. Indians living on the reservation and not receiving the 9-1-1 service are exempt as are coin operated telephones.	Due on or before the last day of the month following the end of each calendar quarter	10% delinquency penalty; 10% deficiency assessment penalty 1% interest per month Right to a waiver Credit for overpayment 5 year statute of limitations
	Escheated Estates	Section 72-14-102	No tax or license required.	Whenever the title to any property, either real or personal or mixed, fails for any reasons, including want of heirs or next of kin, such title vests in the State of Montana immediately upon the death of the owner without an inquest or other similar proceeding and there is not presumption that such owner died leaving heirs or next of kin. Funds are held in trust in an agency fund for a period of five (5) years prior to deposit in the public school nonexpendable trust fund.	At the final settlement of the estate, if there be no heirs or other claimants.	No penalty/interest

7 January 1993

INCOME & MISCELLANEOUS TAX DIVISION
TAX CALENDAR

A/R TAX	M.C.A. REFERENCE	TAX RATE OR LICENSE FEE	DESCRIPTION	DUE DATE	PENALTY/INTEREST
Estimated Tax	Section 15-30-241 Section 15-30-242	The tax is estimated as the amount of tax as prescribed under 15-30-103.	This tax applies to individuals (except farmers, ranchers or stockmen) if his expected tax liability is in excess of $500 after deductions for withholdings and credits.	Quarterly on April 15, June 15, September 15 and January 15 of the following year.	10% underpayment penalty assessed if estimated and withholding is underpaid.
FC Freight Line Company License Tax **REPEALED**	Section 15-55-102 No Rules HB 24	Five and one-half percent (5 1/2%) on gross earnings.	This is a tax on freight line companies for the transportation of freight over railway lines in Montana that are not owned by such company. The tax applies to the gross earnings based on the proportion of mileage within the state to enter mileage over which business is done.	Due annually on or before March 1, for the preceding calendar year.	10% delinquency penalty; 1% interest per month
Individual Income Tax	Section 15-30-101 Section 15-30-201 Rules 42.15 & 42.16	Based upon the taxable income after making allowance for exemptions and deductions as provided by law. The tax table ranges from 2% to 11%. (15-30-103)	This law is regulatory in nature and insures payment of tax on income or described by Internal Revenue codes. Montana residents are taxed on income from all sources. Non-residents and part year residents are taxed on income from all sources when they become Montana resident.	On or before 15th day of the fourth month following the close of the taxpayers fiscal year, or April 15 if taxpayer is on a calendar year basis. An automatic 6 month extension may be granted if it is requested before the due date of the return.	5% late file, minimum $5; 10% late pay-minimum $10; 5% deficiency-minimum $2; 9% per annum or 3/4% per month interest

7 January 1993

INCOME & MISCELLANEOUS TAX DIVISION
TAX CALENDAR

A/R	TAX	M.C.A. REFERENCE	TAX RATE OR LICENSE FEE	DESCRIPTION	DUE DATE	PENALTY/INTEREST
	Inheritance Tax	Section 72-16-321 thru 72-16-322	Primary rate of taxation is 2% to 8% of the clear market value of such inheritance under $25,000 and up to $50,000, two times the primary rate. $50,000 and up to $100,000, three times the primary rate. $100,000 and up, four times the primary rate. Certain exemptions, depending on the relationship.	This tax is paid by the recipient (individual or corporation) of any decedent's property or interest within the state. This tax also applies to nonresidents provided the transferred property is in Montana.	If the tax is paid within eighteen (18) months of the decent's death, a discount of five percent (5%) is allowable.	10% interest penalty from date of death.
	Minimum Cigarette Prices	Section 16-10-102 See Cigarette Tax	No tax or license required.	This chapter is regulatory in nature and prohibits unfair business practices. The chapter is designed to protect cigarette tax revenue. Minimum prices are computed by statutory formula.	Not applicable.	Court ordered.
NH	Payments in Lieu of Taxes	Section 17-3-301 No Rules	Varies according to the mill levy set each year for state purposes.	Payments made by government projects which are exempt from property taxes. Payments represent an estimated cost to the state for performing services for the benefit of the project.	According to agreement with the Federal Government.	No penalty/interest

7 January 1993

INCOME & MISCELLANEOUS TAX DIVISION
TAX CALENDAR

A/R	TAX	M.C.A. REFERENCE	TAX RATE OR LICENSE FEE	DESCRIPTION	DUE DATE	PENALTY/INTEREST
	Nursing Facilities Bed Fee	House Bill 93 Section 15-60-101	$1.00/ bed day in FY 92; $2.00/ bed day in FY 93; Exemptions: Facilities licensed to provide intermediate Developmental Disability care and facilities reimbursed as Institutions for Mental Disease under the Medicaid program. Self pay or private pay would be payments to the nursing facility by the user, a friend or family member. These payments would NOT be subject to the fee.	The fee is based on the bed days used and the cost is paid by a third party payor.	The last day of the month following the close of the quarter. April 30 July 31, Oct. 31 and Jan. 31.	10% delinquent penalty; 10% deficiency penalty; 1% interest per month.
	Payroll Tax	Section 39-71-2500 Section 15-30-201 thru Section 15-30-331	.28 % (.0028) of employers total payroll for the quarter. Some exceptions apply.	The tax applies to all workers that are covered by employment insurance. The insurance can be State Fund, Private or Self-insured.	The last day of the month following the close of the quarter. April 30, July 31, Oct. 31 and Jan. 31.	5% late file Min. $5; 10% late; pay; 9% interest; HABITUAL: 25% penalty Min $25; 12% interest.
PT	Public Service Commission Fee	Section 69-1-401 Section 69-1-402 No Rules	Fee rate set annually for succeeding fiscal year by Miscellaneous Tax Section to cover appropriation to the Department of Public Service Regulation. The current rate is .24%. Municipalities pay the lessor of .06% or the rate paid by other entities.	This fee applies to the gross operating revenue from all intrastate activities regulated by the Public Service Commission. Excluding motorcarriers.	Due quarterly within ninety (90) days after the end of each calendar quarter.	10% delinquency penalty; 10% deficiency assessment penalty; 1% interest per month; Right to a waiver; Credit for overpayment; 5 year statute of limitations.

7 January 1993

INCOME & MISCELLANEOUS TAX DIVISION
TAX CALENDAR

A/R TAX	M.C.A. REFERENCE	TAX RATE OR LICENSE FEE	DESCRIPTION	DUE DATE	PENALTY/INTEREST
RE Rural Electric and Telephone Cooperative License Fee	Section 35-18-503 No Rules	$10 for each one hundred (100) persons or fractions thereof to whom electricity or telephone service is supplied.	This fee applies to cooperatives and foreign corporations supplying electricity or telephone service to customers in Montana.	Due annually on or before July 1.	10% delinquency penalty; 10% deficiency assessment penalty; 1% interest per month; Right to a waiver; Credit for overpayment; 5 year statute of limitations.
TC Telephone Company License Tax	Section 15-53-101 42.31.501 HB 44	1.8% of gross revenue in excess of $250 per quarter. 7% surcharge on the tax liability. Effective July 1, 1992 through June 30, 1993.	This tax applies to the access & transport, for hire of two-way communications from point of access to point of termination both of which are within Montana.	Due quarterly within sixty (60) days after the end of each calendar quarter.	10% late pay; 10% deficiency assessment penalty; 1% interest per month; Right to a waiver; Credit for overpayment; 5 year statute of limitations.
TP Tobacco Products Tax	Section 16-11-202 See Cigarette Tax HB 44	12 1/2% of price of tobacco products to wholesaler. Aug. 15, 1992 through Aug. 14, 1993 rate changed to 13.28%	This tax applies to all tobacco products, except cigarettes, brought into Montana. Exemption may be claimed for tobacco products shipped from Montana and destined for retail sale and consumption outside the State of Montana.	Due monthly within ten (10 days after the end of each month.	Court order civil penalty

7 January 1993

INCOME & MISCELLANEOUS TAX DIVISION
TAX CALENDAR

A/R	TAX	M.C.A. REFERENCE	TAX RATE OR LICENSE FEE	DESCRIPTION	DUE DATE	PENALTY/INTEREST
	Unclaimed Property	Section 70-9-101 thru 70-9-502	No tax or license required.	Property held or owing by a banking, financial organization business association, life insurance corporation, utility, fiduciary, court, public officer or agency that has remained unclaimed by the owner for more than five (5) years is presumed abandoned and is remitted to the state of Montana. Funds received are to be deposited for credit to the public school nonexpendable trust fund.	The report shall be filed before November 1 every year as of June 30 next preceding, but the reports of life insurance corporation, banking and financial organizations, and cooperatives shall be filed before May 1 of each year as of December 31 next preceding.	
WH	Withholding Tax	Section 15-30-201 Thru Section 15-30-331 Rules 42.17	The amount of tax withheld from an employee's wages is based on the wages paid, the number of allowances claimed, and the length of the payroll period. Tax tables are furnished to all registered employers.	Individuals, residents and non residents who earn wages by performing services in Montana are liable for Montana Income Tax. Withholding Tax is a pay as go tax. Every employer who pays wages in Montana must withhold Montana Tax, and remit such tax to the state.	Quarterly deposits and form MW-5 are due by the last day of the month following the end of each quarter. Annual reconciliation reports, MW-10 together with every employee's W-2 statement showing employee's withholding are due by the February 28th of the following year.	5% Late file Minimum $5; 10% late pay; 9% per annum interest; 25% HABITUAL: 25%; $25 penalty min; 12% interest; W2-$5 per document; Minimum $50 penalty.
		HB 44	1993 tables reflect the 4.7% surtax enacted by the July 1992 Special Legislative Session. New tax tables, effective January 1, 1993.			

State of Montana
Department of Revenue
Income Tax Division
Business Tax Bureau

IT-34

Taxes Administered
and
Amounts Collected

Five Year Review
(1988 - Sept. 1992)

TAX	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992
ACCOMODATIONS TAX					
Gross Collections	3,383,444.00	5,018,818.28	5,494,651.05	6,121,342.82	7,044,435.81
A/R Collections	0.00	58,770.43	127,127.07	114,653.45	113,736.77
Assessements	52,318.00	38,610.98	175,435.42	174,213.97	186,928.86
Refunds	0.00	(5,017,963.02)	(5,886.94)	(6,816.69)	(459.03)
Accounts	1,200	1,200	1,125	1,130	1,233
CAMPER DECAL FEE					
Gross Collections	5,204.00	5,397.00	5,754.50	4,847.75	Repealed by
A/R Collections	0.00	0.00	0.00	0.00	Legislature
Assessements	0.00	0.00	0.00	0.00	1992
Refunds	0.00	0.00	0.00	0.00	
Accounts	56	56	56	56	
CIGARETTE LICENSE					
Gross Collections	13,424.50	12,406.50	16,395.00	15,135.00	15,405.00
A/R Collections	0.00	100.00	0.00	0.00	0.00
Assessements	0.00	0.00	0.00	0.00	0.00
Refunds	(105.00)	(90.00)	(300.00)	(90.00)	(310.00)
Licenses	2,272	1,760	2,128	2,082	2,030
CIGARETTE TAX					
Gross Collections	11,430,657.96	11,227,151.40	11,566,747.95	11,772,694.74	12,277,113.94
A/R Collections	109.41	5,855.07	94,183.62	3,213.42	1,115.40
Assessements	42,045.43	1,699.99	115,949.04	44,401.90	4,258.20
Refunds	(226,185.39)	(195,965.39)	(216,753.19)	(264,895.59)	(218,693.98)
Accounts	24	23	23	22	24

TAX	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992
CONSUMER COUNSEL					
Gross Collections	407,470.54	723,773.25	698,743.32	752,954.61	844,922.46
A/R Collections	11,403.05	2,244.87	2,849.49	1,925.75	5,567.97
Assessements	6,102,050.71	1,231.35	26,972.25	1,086.59	10,063.15
Refunds	(3,761.93)	(49.46)	(5,409.27)	(1,383.71)	(1,962.02)
Gross Op. Rev:	815,165,142.00	528,769,141.75	783,253,274.98	722,703,964.00	844,364.53
Accounts	694	651	702	702	1,125
CONTRACTORS 1%					
Gross Collections	2,464,634.65	2,594,031.45	2,823,586.13	2,825,548.61	3,186,007.71
A/R Collections	0.00	10,338.09	19,889.42	31,726.76	19,155.83
Assessements	106.90	25,947.95	24,511.77	48,637.61	198,891.21
Refunds	(1,706,143.55)	(1,609,563.07)	(1,705,128.26)	(1,524,643.30)	(2,032,092.80)
Accounts	2,000 Contractors 30,000 Accounts	2,000 Contractors 30,000 Accounts	2,000 Contractors 30,000 Accounts	2,000 Contractors 30,000 Accounts	2,000 Contractors 30,000 Accounts
DRUG TAX					
Gross Collections	0.00	14,111.22	14,007.98	13,453.10	9,276.56
A/R Collections	46,768.44	14,100.57	14,007.98	13,453.10	9,276.56
Assessements	2,299,524.25	3,221,148.34	1,078,350.03	1,584,241.65	615,938.84
Refunds	0.00	(40.00)	(44.00)	(17,400.76)	0.00
Accounts	242	186	346	385	274
EMERGENCY TELE					
Gross Collections	1,053,843.00	1,063,477.44	1,085,524.36	1,113,473.96	1,143,504.09
A/R Collections	0.00	0.00	0.00	0.00	0.00
Assessements	0.00	0.00	0.00	0.00	0.00
Refunds	0.00	0.00	0.00	0.00	(146,749.37)
Access Lines:	1,059,516	87,299	369,771	379,391	1,160,500
Accounts	19	19	19	19	19

TAX	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992
FREIGHT LINES					
Gross Collections	1,229,618.34	1,125,738.82	1,166,311.79	1,297,793.52	Repealed by
A/R Collections	42.93	0.00	0.00	3,622.87	Legislature
Assessements	0.00	0.00	0.00	3,064.00	1992
Refunds	0.00	0.00	0.00	0.00	
Amount Earned:	22,357,298.87	20,420,755.59	21,261,368.14	23,539,896.00	
Accounts	16	13	14	20	
HANDICAPPED TELEPHONE					
Gross Collections	0.00	0.00	1,085,524.36	445,520.77	460,238.98
A/R Collections	0.00	0.00	0.00	0.00	0.00
Assessements	0.00	0.00	0.00	0.00	0.00
Refunds	0.00	0.00	0.00	0.00	0.00
Access Lines:	0.00	0.00	369,771	379,931	1,176,185
Accounts	0	0	19	19	19
NATIONAL HOUSING					
Gross Collections	184.03	169.69	153.11	0.00	3,469.41
A/R Collections	0.00	0.00	0.00	0.00	0.00
Assessements	0.00	0.00	0.00	0.00	0.00
Refunds	0.00	0.00	0.00	0.00	0.00
Accounts	2	2	2	0	1
NURSING FACILITY					
Gross Collections	0.00	0.00	0.00	0.00	1,188,028.47
A/R Collections	0.00	0.00	0.00	0.00	4,132.17
Assessements	0.00	0.00	0.00	0.00	9,963.81
Refunds	0.00	0.00	0.00	0.00	(596.00)
Accounts	0.00	0.00	0	0	96

TAX	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992
PSC TAX					
Gross Collections	2,085,218.41	2,224,362.93	1,571,953.37	1,207,564.51	1,934,545.54
A/R Collections	1,123.37	67.00	321.53	473.22	427.87
Assessements	1,136.97	117.92	11,041.94	492.61	14,417.10
Refunds	(7,137.91)	(10.80)	(358.88)	(677.38)	(331.25)
Gross Op. Rev:	743,684,376.00	658,195,047.21	897,835,462.78	729,367,623.00	2,389,343.35
Accounts	168	158	148	142	155
PAYROLL TAX					
Gross Collections	0.00	0.00	0.00	0.00	11,855,347.74
A/R Collections	0.00	0.00	0.00	0.00	224,226.79
Assessements	0.00	0.00	0.00	0.00	461,851.07
Refunds	0.00	0.00	0.00	0.00	(22,715.38)
Accounts	0	0	0	0	8,057
RECREATION VEHICLE					
Gross Collections	0.00	0.00	0.00	0.00	81,110.50
A/R Collections	0.00	0.00	0.00	0.00	0.00
Assessements	0.00	0.00	0.00	0.00	0.00
Refunds	0.00	0.00	0.00	0.00	(10.50)
Accounts	0	0	0	0	56
RURAL ELECTRIC					
Gross Collections	10,596.60	13,723.30	12,127.00	12,980.00	12,624.10
A/R Collections	0.00	0.00	0.00	0.00	0.00
Assessements	0.00	0.00	0.00	702.00	0.00
Refunds	(720.00)	0.00	0.00	0.00	(260.00)
Taxable Amount:	121,505	116,053	111,773	119,188	116,363
Accounts	42	42	40	43	21

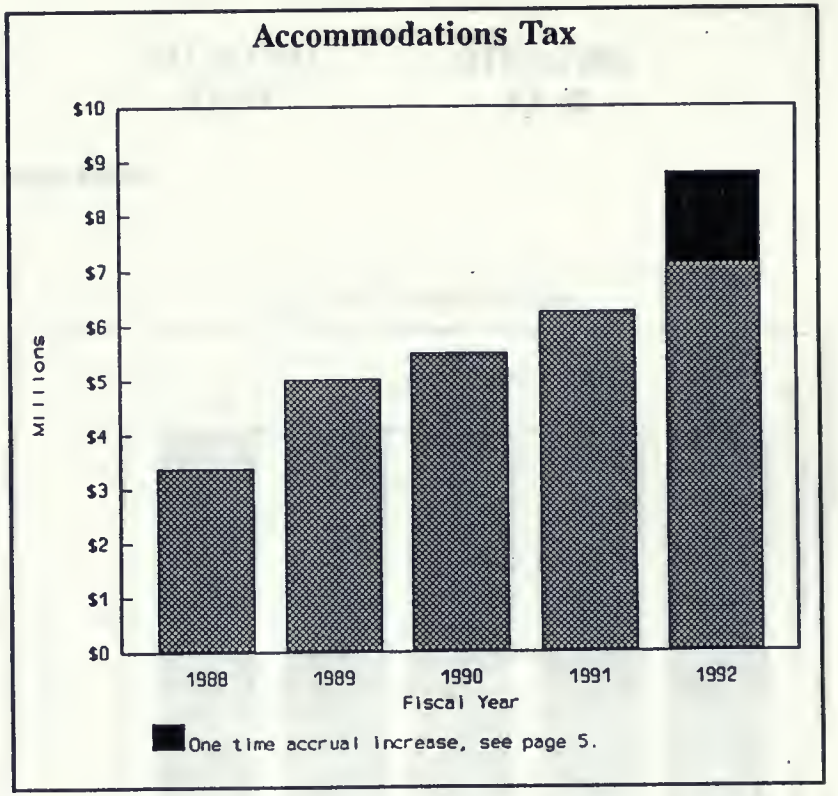
TAX	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992
STORE LICENSE					
Gross Collections	271,852.51	276,205.64	269,433.05	317,319.23	Repealed by
A/R Collections	965.25	771.46	959.50	7,280.85	Legislature
Assessements	990.24	578.30	2,275.00	12,415.05	1992
Refunds	(1,826.75)	(1,959.90)	(2,745.45)	(3,268.20)	
Retail Lic.	11,453	11,057	11,063	12,347	
Wholesale Lic.	1,068	1,021	754	1,107	
TELEPHONE TAX					
Gross Collections	3,450,499.26	3,580,073.08	3,775,992.10	3,877,452.19	3,972,327.50
A/R Collections	965.25	0.00	61,100.00	0.00	1,751.44
Assessements	990.24	115,499.00	4,437,013.63	0.00	276,721.80
Refunds	(762.85)	0.00	(57,478.76)	(4,311.47)	(2,586.07)
Gross Op. Rev:	200,030,845.26	204,088,061.95	215,141,632.00	224,779,837.10	3,972,327.50
Accounts	10	11	21	35	54
TOBACCO PRODUCTS					
Gross Collections	773,440.45	802,614.83	893,143.24	1,006,908.62	1,154,586.79
A/R Collections	1,675.26	52.06	59.57	2,000.00	3,378.29
Assessements	1,332.79	52.06	59.57	10,400.65	685.25
Refunds	0.00	0.00	(32.34)	0.00	0.00
Accounts	42	38	37	37	42

TAX	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992
TRAMWAY TAX					
Gross Collections	25,741.53	26,273.31	28,755.21	34,164.29	Transfered to
A/R Collections	0.00	0.00	141.49	0.00	Department of
Assessements	0.00	0.00	1,415.03	0.00	Commerce
Refunds	0.00	0.00	0.00	0.00	1992
Gross Op. Rev:	10,226,290.42	129,433.00	11,421,926.33	8,716,058.00	
Accounts	15	14	15	15	
WITHHOLDING TAX					
Gross Collections	162,959,305.00	197,182,121.68	199,184,586.52	216,314,792.60	229,512,154.32
A/R Collections	0.00	662,055.63	2,149,508.72	2,056,272.95	2,043,101.42
Assessements	3,306,971.00	1,213,325.61	3,333,664.88	3,032,610.29	2,533,683.59
Refunds	0.00	(184,868,193.69)	(231,714.41)	(655,579.87)	(114,436.19)
Accounts	22,624	22,702	24,514	23,374	27,138

Accommodations Tax

A tax is imposed on users of overnight lodging facilities. This tax is 4% of the accommodation charge and is collected by the owner or operator of the facility. The tax went into effect July 1, 1987.

Net collections (after administrative costs are paid) from the Accommodation Tax are transferred to a special revenue fund for state and tourism promotion. The monies are then distributed as follows: 1% goes to the Montana historical society, 2.5% goes to the university system for the Montana travel research program. Of the balance, 75% goes to the Department of Commerce for its direct use and the rest goes to various regional nonprofit tourism corporations unless that particular city-county area collects in excess of $140,000 in proceeds annually. In this instance, half of the amount available for distribution to the nonprofit tourism corporation would instead go to a nonprofit convention and visitors bureau in that city-county region.



Accommodations Tax

FY 88	FY 89	FY 90	FY 91	FY 92*
$3,372,658	$5,017,693	$5,488,764	$6,237,422	$8,762,356

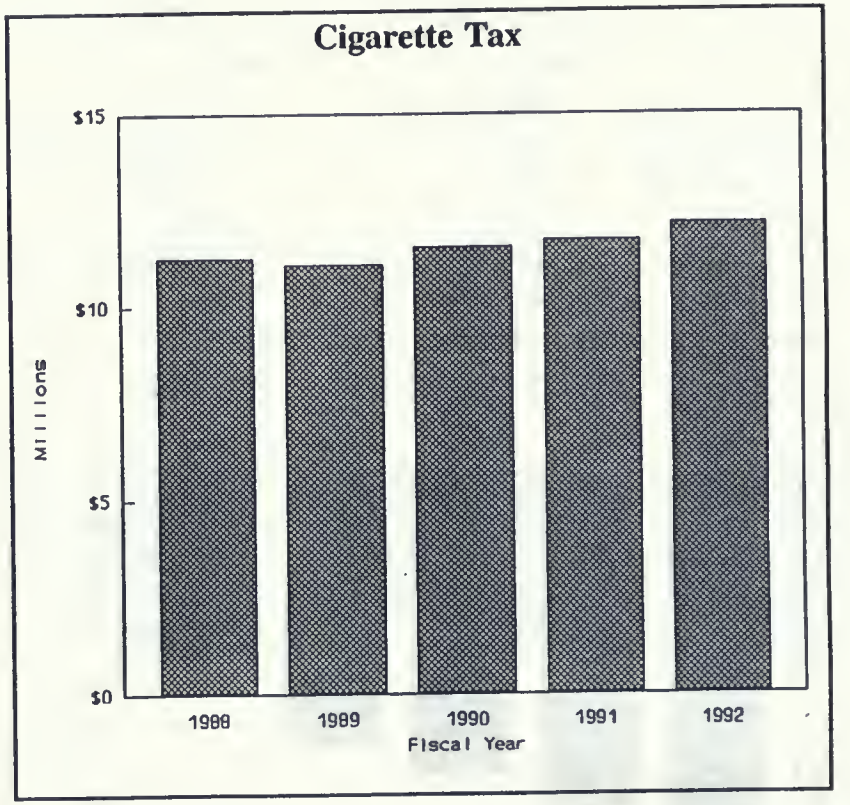
** FY 92 total includes $1,643,948 in accruals, see page 5.*

Cigarette Sales Tax

Cigarette wholesalers in the state precollect a tax of 18¢ per package of 20 cigarettes. The tax is then included in the retail price of the cigarettes. A tax insignia must be affixed to each package by the distributor or dealer. Wholesalers and dealers are entitled to purchase insignias at face value less the following percentages which are allowed to defray costs of affixing insignias and pre-collecting the tax on behalf of the State of Montana:

1) 6% for up to 2,580 cartons purchased in any calendar month;
2) 4% for any portion of the next 2,580 cartons purchased in any calendar month; and
3) 3% for purchases in excess of 5,160 cartons in any calendar month.

All money collected from the Cigarette Sales Tax is deposited in the Long-Range Building Program Fund; 70.89% to the Debt Service Fund Type and 29.11% to the Capital Projects Fund Type.



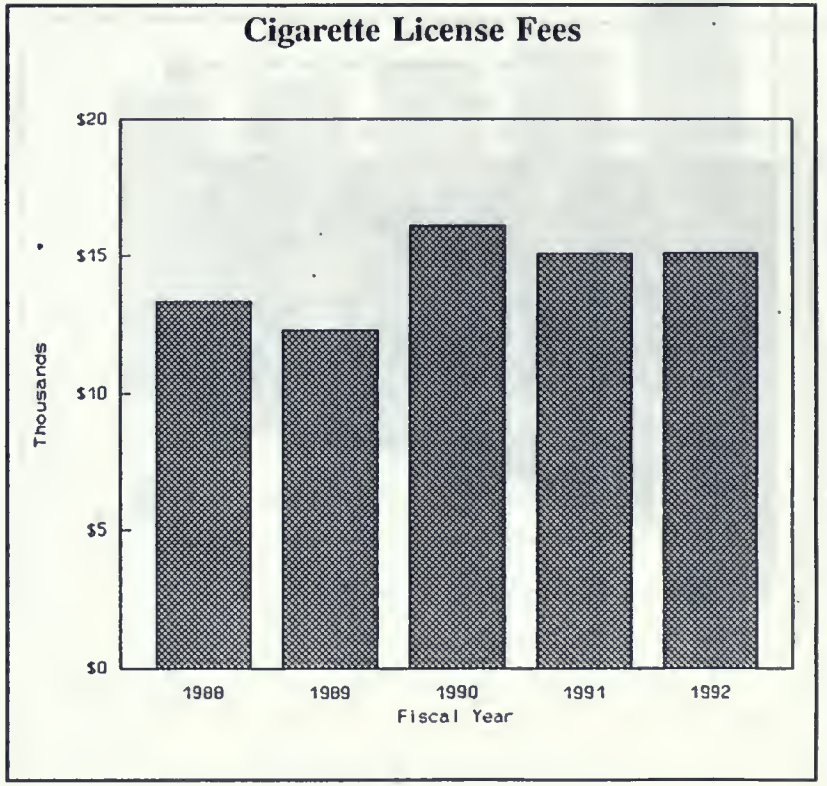
Cigarette Sales Tax Collections

FY 88	FY 89	FY 90	FY 91	FY 92
$11,278,326	$11,113,087	$11,567,081	$11,733,190	$12,172,863

Cigarette Wholesalers' and Retailers' Licenses

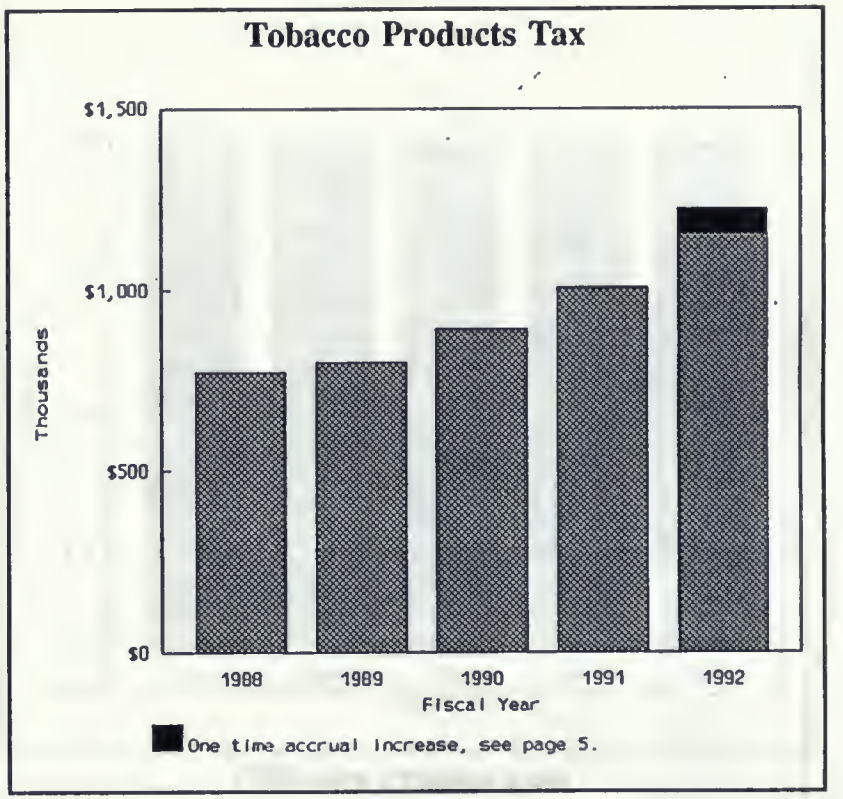
A license fee is imposed on cigarette dealers in Montana. Wholesalers, subjobbers and vendors (possessing 10 or more machines) pay an annual license fee of $50. Retailers and vendors (possessing 9 or less machines) pay an annual license fee of $5.

	Number of licenses	Total fees paid
FY 88	2,154	$13,325
FY 89	1,760	$12,317
FY 90	2,128	$16,095
FY 91	2,082	$15,060
FY 92	2,057	$15,095



Tobacco Products Tax

All tobacco products, excluding cigarettes, are subject to a tax of 12 1/2% of their wholesale price. The tax is collected from the wholesaler less a 5% defrayment for collection and administrative expenses. Collections are deposited in the Long-Range Building Program Debt Service Fund.



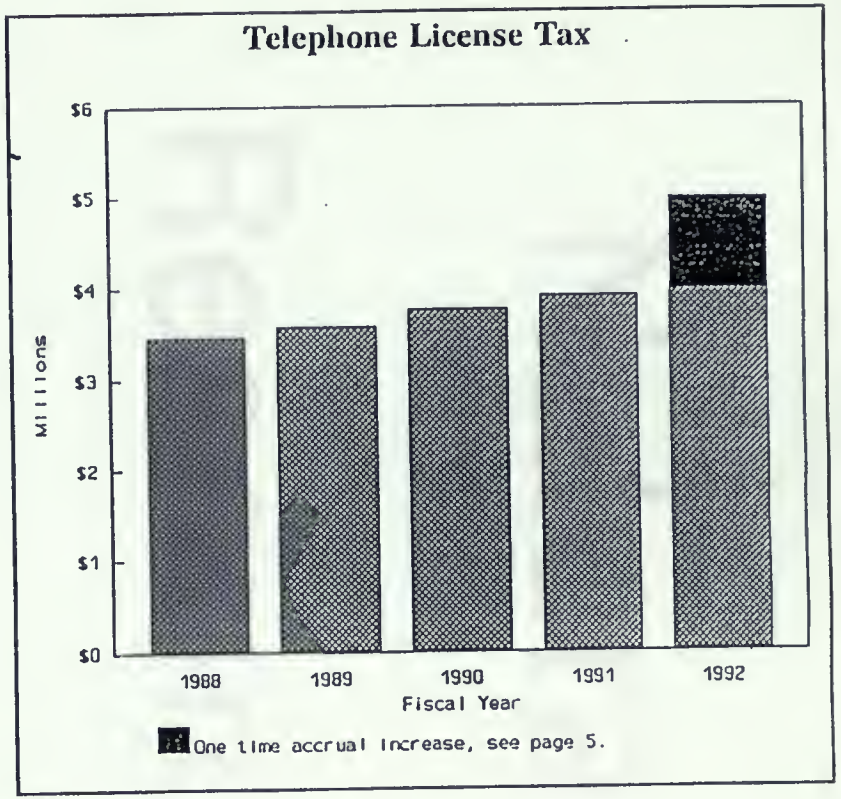
Tobacco Products Tax Collections

FY 88	FY 89	FY 90	FY 91	FY 92*
$773,440	$802,615	$893,111	$1,006,909	$1,224,587

** FY 92 total includes $70,000 in accruals, see page 5.*

Telephone Company License Tax

Prior to July 1, 1991, all **gross income**, in excess of $250 per quarter, derived from any telephone business (including the transmission of messages over telephone lines or microwave electronic equipment) in Montana was subject to a license tax of 1.725%. For tax quarters beginning after June 30, 1991, **gross revenue**, in excess of $250 per quarter, is subject to a license tax of 1.8%. Gross revenue does not include carrier access revenue; revenue from certain sales of telephone services; revenue from equipment sales, leases, repairs, installations and maintenance; and customer access line charges assessed under Federal Communications Commission orders or rules. License taxes collected are deposited in the General Fund.



	Number of Accounts	Total Gross Income	Total tax paid (including penalty and interest)
FY 88	10	202,073,235	$3,450,499
FY 89	11	204,088,062	$3,580,073
FY 90	21	215,141,632	$3,760,038
FY 91	35	224,779,837	$3,899,657
FY 92*	55	272,842,706	$4,983,796

** FY 92 total includes $1,019,000 in accruals, see page 5.*

Natural Resource Taxes

Montana Department of Revenue

January, 1993

Montana Taxation of Natural Resources

Historically, Montana has relied on its store of natural resource wealth as a primary source of tax revenue. So significant is this source of revenue, that it has been likened to the "third leg" of Montana's tax stool, supplementing the individual income and property tax as the three major sources of revenue in the state.

This paper discusses the characteristics of each of the different natural resource taxes in Montana. Generally, natural resource taxes may be categorized as either severance/license taxes, or some form of *ad valorem* (property) taxes. Details of the following taxes are provided in subsequent sections of this paper:

State Severance and License Taxes Collections	*Fiscal 1991*
Coal Severance Tax	*$50,457,839*
Oil Severance Tax	*18,885,901*
Natural Gas Severance Tax	*1,277,368*
Oil and Gas Producer's Privilege and License Tax	*978,223*
Metalliferous Mines License Tax	*7,739,030*
Micaceous Mines License Tax	*2,456*
Resource Indemnity Trust Tax (RITT)	*3,573,502*
Cement and Gypsum Taxes and Licenses	*123,038*
Total State Collections	*$83,037,357*

Local Government Ad Valorem and Severance Taxes	
Coal Gross Proceeds Tax	*$12,467,015*
Net Proceeds Tax - Oil	*2,089,843*
Net Proceeds Tax - Gas	*1,342,965*
Local Government Severance Tax - Oil	*25,232,273*
Local Government Severance Tax - Gas	*8,318,912*
Metal Mines Gross Proceeds Tax	*3,013,940*
Miscellaneous Mines Net Proceeds Tax	*2,098,155*
Total Local Government Collections	*$54,563,103*

Information provided includes tax rates, filing requirements, disposition of the tax, production tax incentives, and recent revenue collections.

STATE SEVERANCE AND LICENSE TAXES

Coal Severance Tax

Tax Rates: Legislation passed during the 1987 Legislative Session (HB252) reduced the maximum state coal severance tax from its previous rate of 30 percent to its current rate of 15 percent. Coal severance tax rates vary with heating quality and type of mining as follows:

Heating Quality (Btu per pound)	Surface Mining	Underground Mining
Under 7,000	10% of value	3% of value
7,000 and over	15% of value	4% of value

Value of Coal: The value of coal to which the severance tax is applied is the "contract sales price". The contract sales price is the price of coal extracted and prepared for shipment f.o.b. mine, less that amount required to pay production taxes. Production taxes include the state severance tax, resource indemnity trust tax (RITT), local gross proceeds taxes, federal reclamation taxes, and the federal Black Lung Tax. The contract sales price also includes all royalties paid on production; however, with respect to royalties paid to federal and state governments, or Indian tribes, the contract sales price includes only 15 cents per ton.

Filing Requirements: Coal mine operators are required to file quarterly statements containing information sufficient to calculate the tax due. Tax payments are due at the time of filing (within 30 days following the close of each calendar quarter).

Revenue Collections: Revenue collections from the coal severance tax for the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1987	$ 76,546,593
1988	84,638,312
1989	58,565,583
1990	67,870,544
1991	50,457,839

Distribution of Coal Tax: The distribution of coal severance taxes has been changed frequently by the Montana Legislature. The distribution of the coal severance tax for fiscal year 1992 is as follows:

Distribution of Coal Severance Tax
(millions)

FY 92 % of Distribution	Fund Impacted	Revenue FY 92
15.39%	General	$ 6.884
.19	Conservation Dist.	.083
.38	County Planning	.165
6.65	Local Impact	2.888
.76	Agriculture Act	.330
11.40	School Equalization	4.951
.38	State Library	.165
.47	Renewable Resource	.206
1.90	Parks Trust	.000
50.00	Permanent Trust Fund	21.717
.47	Water Development	.206
12.00	Highway Trust	5.212
1.27	FWP Acq. Sites & Areas	.550
.63	Arts Council Trust	.276
100.00%	TOTAL REVENUE	$ 43.434

Production Incentives: Persons producing less than 50,000 tons of coal in a year are exempt from severance tax. Persons producing in excess of 50,000 tons per year are exempt from severance tax on the first 20,000 tons produced.

Oil Severance Tax

Tax Rates:

Regular Production:	5.0% of total gross value
Tertiary Production:	2.5% of total gross value

Value of Oil, Exemptions: Total gross value is computed as the product of the total number of barrels produced each month and the average well mouth value per barrel. Producers are allowed to deduct any oil produced that is used in the operation of the well.

Royalties received by an Indian tribe with respect to on-reservation oil production pursuant to a lease entered into under the Indian Mineral Leasing Act of 1938, and all governmental royalties are exempt from taxation.

Filing Requirements: Oil producers are required to file quarterly statements containing information sufficient to calculate the tax due. Tax payments are due at the time of filing (within 60 days following the close of each calendar quarter).

Revenue Collections: Revenue collections from the oil severance tax for the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1987	$ 16,143,592
1988	16,484,059
1989	13,234,513
1990	14,510,149
1991	18,885,901

Distribution of Oil Severance Tax: State oil severance taxes are distributed 100% to the state general fund.

Production Incentives: Production from tertiary recovery projects are taxed at half the regular tax rate. (See tax rate section above.)

Natural Gas Severance Tax

Tax Rates:

Regular Production:	2.65% of total gross value
Stripper Production:	
- first 30 MCF:	Exempt
- over 30 MCF:	1.59% of total gross value

To qualify for stripper designation the lease or unit must produce 60 MCFs or less per day.

Value of Gas, Exemptions:

Total gross value is computed as the product of the total number of cubic feet produced each month and the average well mouth value per cubic foot. Producers are allowed to deduct any natural gas produced that is used in the operation of the well.

Royalties received by an Indian tribe with respect to on-reservation gas production pursuant to a lease entered into under the Indian Mineral Leasing Act of 1938, and all governmental royalties are exempt from taxation.

Filing Requirements:

Gas producers are required to file quarterly statements containing information sufficient to calculate the tax due. Tax payments are due at the time of filing (within 60 days following the close of each calendar quarter).

Revenue Collections:

Revenue collections from the natural gas severance tax for the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1987	$ 2,492,465
1988	1,491,523
1989	1,724,735
1990	1,057,277
1991	1,277,368

Distribution of Gas Sev. Tax:

State natural gas severance taxes are distributed 100% to the state general fund.

Production Incentives:

Production from natural gas stripper wells is taxed at reduced rates. (See the section on tax rates, above.)

Oil and Gas Producer's Privilege and License Tax

Tax Rate: The tax rate is not to exceed 0.20% of the market value of all oil and natural gas produced, stored, or marketed within the state. Current rate is set at 0.20 percent.

Filing Requirements: Oil and gas producers are required to file quarterly statements containing information sufficient to calculate the tax due. Tax payments are due at the time of filing (within 60 days following the close of each calendar quarter).

Revenue Collections: Revenue collections from the oil and gas producer's privilege and license tax for the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1987	$ 687,284
1988	929,284
1989	789,045
1990	877,825
1991	978,223

Distribution of Oil/Gas Prod.Priv. and Lic. Tax: All money collected from this tax is distributed in the state special revenue fund, and is used to pay expenses of the Board of Oil and Gas Conservation.

Production Incentives: Not Applicable.

Metalliferous Mines License Tax

Tax Rates: Concentrate shipped to a smelter, mill, or reduction work is taxed at the following rates:

Gross Value of Product	Tax Rate
first $250,000	0 %
over $250,000	1.81 %

Gold, silver, or any platinum-group metal that is dore, bullion, or matte and that is shipped to a refinery is taxed at the following rates:

Gross Value of Product	Tax Rate
first $250,000	0 %
over $250,000	1.6 %

Gross Value Product: The value to which the tax rate is applied is the monetary of payment or refined metal received by the mining company from the metal trader, smelter, roaster, or refinery, determined by multiplying the quantity of metal received by the metal trader, smelter, roaster, or refinery by the quoted price for the metal and then subtracting basic treatment and refinery charges, quantity deductions, price deductions, interest, and penalty metal, impurity and moisture deductions as specified by contract between the mining company and the receiving metal trader, smelter, roaster, or refinery. Deductions are not allowed either directly or indirectly as an offset to payments for the cost of transportation from the mine or mill to the smelter, roaster, or refinery. Demurrage, storage, interest, or any other miscellaneous costs related to transporting the mineral product are considered transportation and are not deductible.

Filing Requirements: Persons extracting metals are required to file reports containing information sufficient to calculate the tax due. Reports and payment of metal mines tax are due on or before March 31 of each year for the products produced in the preceding calendar year.

Revenue Collections: Revenue collections from metalliferous mines license tax for the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1987	$ 1,756,121
1988	4,248,913
1989	6,355,005
1990	6,306,356
1991	7,739,030

Distribution of Metal Mines Tax: Revenue collections from metalliferous mines tax are distributed as follows:

State General Fund	58.0 %
Hard-Rock Mining Impact Trust	1.5 %
Resource Indemnity Trust Fund	15.5 %
County where mine is located, or where economic impact is identified	25.0 %

Funds allocated to the counties must be distributed as follows:

Not less than 40% to the county hard-rock mine trust reserve account. Money not allocated to the hard-rock mine trust is distributed one-third to planning or economic development activities; one-third to elementary school districts affected by the development or operation of the mine; and one-third to high school districts affected by the development or operation of the mine.

Production Incentives: Not Applicable.

Micaceous Mines License Tax

Micaceous minerals are those that are generally classified as complex silicates, and include such minerals as vermiculite, perlite, kerrite, maconite, bentonite, silica, bauxite, etc.

Tax Rate: $0.05 per ton of concentrates mined, extracted, or produced.

Filing Requirements: Operators of micaceous mineral mines are required to file quarterly statements showing the number of tons of micaceous minerals mined. Quarterly returns, along with the accompanying tax payment, are due within 30 days following the end of each calendar quarter.

Revenue Collections: Revenue collections from the micaceous mines license tax for the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1987	$ 5,269
1988	7,689
1989	6,212
1990	4,067
1991	2,456

Distribution of Micaceous Mines Tax: All proceeds from the micaceous mines license tax are deposited in the state general fund.

Production Incentives: Not Applicable.

Resource Indemnity Trust Tax (RITT)

Note: The 1991 Legislature directed that the *Resource Indemnity Trust Tax (RITT)* be officially changed to the *Resource Indemnity and Ground Water Assessment Tax (RIGWAT)* (SB94).

Tax Rates:

Talc
$25 plus 4% of gross value

Coal
$25 plus 0.4% of gross value

Vermiculite
$25 plus 2% of gross value

All Other Minerals
$25 plus 0.5% of gross value (if in excess of $5,000)

Gross Value of Product:

Talc
$4.25 per ton, adjusted annually for inflation (base year 1989).

Coal
Contract sales price (see section above on Coal Severance Tax).

Vermiculite
$27 per ton, adjusted annually for inflation (base year 1991).

All Other Minerals
Market value.

Filing Requirements:

All extractors and producers of minerals must file an annual statement showing the gross yield of product for each mineral mined. Metal producers are required to file on or before March 31. All other producers are required to file on or before the 60th day following the end of the calendar year. The tax due is required to be paid at the time of filing the statement of gross yield.

Exemptions:

(1) Persons who have paid the metal mines license tax are exempt from the RITT.

(2) Oil and gas royalties received by an Indian tribe, by the U.S. government as trustee for individual Indians, by the U.S. government, by the state of Montana, and by a county or municipality are exempt from the RITT.

Revenue Collections:

Revenue collections from the RITT for the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1987	$ 3,821,977
1988	4,979,333
1989	4,782,041
1990	5,071,681
1991	3,573,502

Total deposits to the RITT account for FY91, including net transfers of metalliferous mines tax, can be categorized by mineral type as follows:

Mineral	Revenue Collections
Coal	$ 1,305,588
Oil	2,130,681
Natural Gas	436,080
Metals	345,043
Other	356,635
Total	$ 4,574,027

Distribution of RITT:

Proceeds from the RITT are deposited 85.9% in the resource indemnity trust fund, and 14.1% in the ground water assessment account.

The resource indemnity trust fund was created to indemnify the citizens of Montana for the loss of long-term value resulting from the depletion of natural resource bases, and for environmental

damage caused by mineral development. The fund is invested at the discretion of the state board of investments. Once the fund balance has reached $100 million, all earnings and receipts are to be appropriated and expended by the legislature. At the end of fiscal year 1991, the balance in this trust fund was $75.6 million.

At the beginning of each biennium, an amount not to exceed $175,000 is allocated from interest income to the environmental contingency account. Beginning fiscal 1992, an amount not to exceed $50,000 is allocated to the oil and gas production damage mitigation account.

The remaining interest income is allocated: 30% to water development; 12% to hazardous waste; 8% to renewable resource development; 46% to reclamation and development grants; and 4% to environmental quality protection.

The ground water assessment account was created to provide improvements in the quality and coordination of ground water management at the federal, state, and local levels.

Beginning July 1, 1993, and at the beginning of each succeeding fiscal year, 14.1% of the proceeds from the resource indemnity and ground water assessment tax are to be deposited to this account until such time as the balance of the account equals or exceeds $666,000. After that time all funds are to be deposited in the resource indemnity trust fund.

Production Incentives: Not Applicable.

Cement and Gypsum Taxes and Licenses

Tax Rates:

Producers, manufacturers, and importers:

$0.22 per ton of cement produced, manufactured, or imported.
$0.05 per ton of gypsum produced, manufactured, or imported.

Cement dealers who sell at retail are liable for tax at the above rates on each ton of cement sold for which no tax has previously been paid.

Filing Requirements:

Producers, manufacturers, and importers shall file quarterly statements showing the number of tons of cement or gypsum produced, manufactured, or imported. The statements, along with the tax due, must be submitted within 30 days following the end of each calendar quarter.

Revenue Collections:

Revenue collections from cement and gypsum taxes and licenses for the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1987	$ 107,519
1988	126,650
1989	130,406
1990	131,592
1991	123,038

Distribution of Cement/Gypsum Taxes:

All proceeds from cement and gypsum taxes and licenses are deposited in the state general fund.

Production Incentives:

Not Applicable.

Coal Gross Proceeds Tax

Tax Rates: Legislation passed during the 1989 special session established a flat 5% tax on coal gross proceeds. Formerly, the tax was determined by calculating the taxable value of the coal (45% of gross proceeds) and then applying the mill levies of all applicable taxing jurisdictions.

Value of Coal: The gross proceeds of coal is determined by multiplying the number of tons produced times the contract sales price.

Filing Requirements: On or before March 31st of every year, each person or firm engaged in mining coal must file a statement of gross yield for every mine operated in the preceding year. The producer must pay 50% of the taxes due on or before November 30; the remaining 50% is due on or before May 31 of the following year.

Revenue Collections: The coal gross proceeds tax collections for the last five fiscal years are as follows:

Fiscal Year	Revenue Collections
1987	$ 15,695,344
1988	17,355,479
1989	13,499,312
1990	13,431,744
1991	12,467,015

Distribution of Coal Gross Proceeds Tax: The revenue is proportionally distributed to the appropriate taxing jurisdictions in which production occurred based on the total number of mills levied in fiscal year 1990.

Production Incentives: Not Applicable.

Net Proceeds Tax - Oil

Tax Rates: Prior to the 1985 legislative session, oil net proceeds was subject to local mill levies. Legislation passed during the 1985 regular session (SB-390) fixed the tax rate on "new" oil production at a flat rate of 7% of gross value. This tax applies only to oil wells which began production after June 30, 1985. Production from wells that began producing before June 30, 1985 ("old production") was subject to local mill levies through production year 1988 (FY 90). Beginning, with production year 1989, old production became subject to the local government severance tax, which is explained on page 18.

Value of Oil: Gross value (sales proceeds) is determined by multiplying the units of production sold from the well times the royalty unit value of production at the well. (Royalty unit value is the contractual price specified in an arm's length transaction.) Producers are allowed to deduct any oil produced that is used in the operation of the well.

Filing Requirements: A separate return containing sales data must be filed for each lease by the operator for each calendar quarter. The returns are due on or before the last day of the month in April, July, October and January for the preceding calendar quarter. Producers are billed for taxes due quarterly by the County Treasurer where production property is located.

Revenue Collections: Oil net proceeds tax collections for the most recent five fiscal years are as follows:

Fiscal Year	"Old" Production	"New" Production	Total Collections
1987	$ 64,286,705	N/A	$ 64,286,705
1988	30,250,304	$ 473,198	30,723,502
1989	32,687,641	1,163,730	33,851,371
1990	25,924,322	1,193,847	27,118,169
1991	N/A	2,089,843	2,089,843

Distribution of Oil Net Proceeds Tax:	The revenue is proportionally distributed among the taxing jurisdictions in which production occurred based on the total number of mills levied in the year preceding the current budget year.
Production Incentives:	After notification to the department, "new production" is exempt from the tax for the first twelve months of production.

Net Proceeds Tax - Natural Gas

Tax Rates: Prior to the 1985 legislative session, gas net proceeds was subject to local mill levies. Legislation passed during the 1985 regular session (SB-390) fixed the tax rate on "new" gas production at a flat rate of 12% of gross value. This tax applies only to gas wells which began production after June 30, 1985. Production from wells that began producing before June 30, 1985 ("old production") was subject to local mill levies through production year 1988 (FY 90). Beginning, with production year 1989, old production became subject to the local government severance tax, which is explained on page 19.

Value of Gas: Total gross value is computed as the product of the total number of thousand cubic feet (MCF) produced each month and the average well mouth value per MCF. Producers are allowed to deduct any gas produced that is used in the operation of the well.

Filing Requirements: A separate return containing sales data must be filed for each lease by the operator for each calendar quarter. The returns are due on or before the last day of the month in April, July, October and January for the preceding calendar quarter. Producers are billed for taxes due quarterly by the County Treasurer where production property is located.

Revenue Collections: Natural gas net proceeds collections for the most recent five fiscal years are as follows:

Fiscal Year	"Old" Production	"New" Production	Total Collections
1987	$ 14,252,700	N/A	$ 14,252,700
1988	12,379,311	$ 226,480	12,605,791
1989	9,815,142	377,538	10,192,680
1990	10,026,124	998,770	11,024,894
1991	N/A	1,342,965	1,342,965

Distribution of Gas Net Proceeds Tax:	The revenue is proportionally distributed among the taxing jurisdictions in which the production occurred based on the total number of mills levied in the year preceding the current budget year.
Production Incentives:	After notification to the department, "new production" is exempt from the tax for the first twelve months of production.

Local Government Severance Tax - Oil

Tax Rate: The Local Government Severance Tax (LGST) applies to production from wells which began producing before July 1, 1985. The tax rate for regular oil production is a flat 8.4% of the gross value of production. Wells which produce less than ten barrels per day are designated "stripper" wells and are taxed at 5.0% of total gross value. Incremental production from tertiary recovery projects is also taxed at the lower 5.0% rate. Finally, persons holding a non-working (royalty) interest in the well are taxed at 12.5% of the gross value of cash paid, or production apportioned in-kind.

Value of Oil: Gross value is determined by multiplying the total number of barrels produced each month times the average value of oil at the wellhead for the same month. The operator may deduct any oil used in the operation of the well from the total production.

Filing Requirements: The operator of a well must file a report with the department on or before the 60th day after the end of a calendar quarter. The tax is paid in quarterly installments one year after the end of each quarter for which a statement is completed as required.

Revenue Collections: The local government severance tax was established during the 1989 special session (HB-28) and applies to production years 1989 and after. Therefore, there are currently only two years of collection data available. Fiscal year 1992 collections are projected based on production in 1990.

Fiscal Year	Revenue Collections
1991	$ 25,232,273
1992	29,190,112

Distribution of LGST - Oil: Local government severance tax revenue is distributed among taxing jurisdictions in the same manner as property taxes were distributed in fiscal year 1990.

Production Incentives: Tax rate incentives exist for "stripper" and tertiary injection incremental production. See the tax rate section of this tax for more specific information.

Local Government Severance Tax - Natural Gas

Tax Rate: The Local Government Severance Tax (LGST) applies to production from wells which began producing before July 1, 1985. The tax rate for regular natural gas production, and for persons holding a non-working (royalty) interest is a flat 15.25% of the gross value of production. Wells which produce less than 60 MCF per day are designated "stripper" wells and are taxed at 10.0% of total gross value.

Value of Gas: Gross value is determined by multiplying the total number of MCFs produced each month times the average value of gas at the well for the same month. The operator may deduct any gas used in the operation of the well from the total production.

Filing Requirements: The operator of a well must file a report with the department on or before the 60th day after the end of a calendar quarter. The tax is paid in quarterly installments one year after the end of each quarter for which a statement is completed as required.

Revenue Collections: The local government severance tax was established during the 1989 special session (HB-28) and applies to production years 1989 and after. Therefore, there are currently only two years of collection data available. Fiscal year 1992 collections are projected based on production in 1990.

Fiscal Year	Revenue Collections
1991	$ 8,318,912
1992	6,492,572

Distribution of LGST - Gas: Local government severance tax revenue is distributed among taxing jurisdictions in the same manner as property taxes were distributed in fiscal year 1990

Production Incentives: Tax rate incentives exist for "stripper" production. See the tax rate section of this tax for more specific information.

Metal Mines Gross Proceeds Tax

Tax Rates: For property tax purposes, the taxable value of metal mines is equal to 3% of annual gross proceeds. This amount is then subject to local mill levies in the jurisdictions in which the taxable value of the mining operation is allocated (see section on distribution, below).

Gross Value of Product, Exemptions: Total gross proceeds means the monetary payment or refined metal received by the mining company from the metal trader, smelter, roaster, or refinery, determined by multiplying the quantity of metal received by the quoted price for the metal and then subtracting basic treatment and refinery charges, quantity deductions, price deductions, interest, and penalty metal, impurity, and moisture deductions as specified by contract.

Metal mines that produce less than 20,000 tons of ore in a year are exempt from property taxation on one-half of the merchantable value.

Filing Requirements: Persons mining metals are required to file a statement, on or before March 31 of each year, showing the total gross proceeds of metal mined during the preceding calendar year.

Revenue Collections: Revenue collections from the gross proceeds tax on metal mines for the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1987	$ 629,848
1988	811,657
1989	2,136,064
1990	3,852,885
1991	3,013,940

Distribution of Metal Mines Gr. Proceeds Tax: The taxable valuation of hard-rock mining operations is subject to allocations specified by hard-rock mining impact property tax base sharing laws. Generally, the tax base is allocated to taxing jurisdictions based on their associated relative economic impacts.

Production Incentives: Not Applicable.

Miscellaneous Mines Net Proceeds Tax

Tax Rates: For property tax purposes, the taxable value of mines other than metal and coal mines (bentonite, talc, vermiculite, etc.) is equal to 100% of annual net proceeds. This amount is then subject to local mill levies in the jurisdictions in which the taxable value of the mining operation is located.

Value of Net Proceeds, Exemptions: Net proceeds are equal to gross proceeds less those costs allowed by statute that are associated with production, including royalties paid or apportioned in cash or in kind.

Travertine and building stone are exempt from mines net proceeds taxation.

Filing Requirements: Persons operating mines other than metal or coal mines are required to file a statement, on or before March 31 of each year, showing the total gross proceeds of minerals mined during the preceding calendar year, and information on costs associated with the mining operation sufficient to allow calculation of the net proceeds from the operation.

Revenue Collections: Revenue collections from the net proceeds tax on miscellaneous mines for the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1987	$ 1,899,874
1988	1,900,144
1989	1,227,544
1990	2,026,208
1991	2,098,155

Distribution of Misc. Mines Net Proceeds Tax: The net proceeds of miscellaneous mines is subject to mill levies of those taxing jurisdictions in which the mine is located. The tax is distributed on the basis of relative mills levied by all jurisdictions levying taxes in the area.

Production Incentives: Not Applicable.

Corporation License Tax

Montana Department of Revenue

January, 1993

CORPORATE TAX RETURNS

FY 1992

Corporate Returns Filed

Regular Corporations	15,502
S-Corporations	6,556
Total	22,058

Corporations paying the $50 minimum:	9,757
Corporations paying more than $50:	5,745

PERCENT OF TAX PAID BY TOP 100 CORPORATE TAXPAYERS

FY 91 59.65% FY 92 61.06%

TOP 100 CORPORATE TAXPAYERS BY INDUSTRIAL CLASSIFICATION FY 1992

Agriculture	1
Mining	2
Construction	3
Manufacturing	23
Transportation & Utilities	12
Wholesale & Retail Trade	18
Finance, Insurance & Real Estate	27
Services	1
Other	13
	100

CORPORATION LICENSE TAX REVENUE
BY INDUSTRIAL CLASSIFICATION
FY 1992

Major Industrial Sector	Revenue
Agriculture	$ 3,733,797
Mining	862,657
Construction	2,093,505
Manufacturing	8,930,568
Trans., Comm., Public Util.	13,180,293
Wholesale/Retail Trade	8,997,835
Finance, Ins., Real Estate	9,001,038
Services	2,049,501
Not Coded	5,902,570
Total	$54,751,764

CORPORATE INCOME TAX COLLECTIONS
FISCAL YEARS 1981 - 1992

FY	Tax	Audit	Total
1986	48,273,629	10,311,155	58,584,784
1987	25,045,063	9,522,752	34,567,815
1988	36,996,786	9,203,317	46,200,103
1989	48,294,768	7,844,981	56,139,749
1990*	71,970,684	8,369,433	80,340,117
1991*	68,735,352	5,584,558	74,319,910
1992	42,365,692	15,316,981	57,682,673

*Includes estimated payments and accelerated tax payments

MAXIMUM STATE CORPORATION TAX RATES
MONTANA VS. OTHER STATES

	MEDIAN RATE	7%	
Iowa	12.00%	New Mexico	7.60%
Connecticut	11.50%	Nebraska	7.09%
North Dakota	10.50%	North Carolina	7.00%
Arizona	10.50%	Maryland	7.00%
Minnesota	9.50%	Montana	6.75%
Massachusetts	9.50%	Oregon	6.60%
West Virginia	9.45%	Missouri	6.50%
Alaska	9.40%	Hawaii	6.40%
California	9.30%	Virginia	6.00%
Rhode Island	9.00%	Tennessee	6.00%
New York	9.00%	Georgia	6.00%
New Jersey	9.00%	Arkansas	6.00%
Maine	8.93%	Florida	5.50%
Ohio	8.90%	Colorado	5.50%
Delaware	8.70%	Utah	5.00%
Pennsylvania	8.50%	South Carolina	5.00%
Vermont	8.25%	Oklahoma	5.00%
Kentucky	8.25%	Mississippi	5.00%
New Hampshire	8.00%	Alabama	5.00%
Louisiana	8.00%	Kansas	4.60%
Idaho	8.00%	Illinois	4.00%
Wisconsin	7.90%	Indiana	3.40%

NATURAL RESOURCE & CORPORATION TAX DIVISION
Montana Department of Revenue
Helena, Montana 59620

MONTANA CORPORATION LICENSE TAX RETURN

(PLEASE TYPE OR PRINT)

For the calender year 1992 or other taxable year beginning _____, 1992, ending _____ 19 _____

1992

Form CLT-4

Name

If name has changed from last year, enter old name here:

Number and Street or P.O. Box No.

City or Town, State, and Zip Code

Telephone Number

Reporting Method: Cash _____ Accrual _____ Other (specify) _____

Federal Employer's No. _____
Federal Business Code No. _____
Kind of Business _____
Incorporated in
State of _____ Year _____
Date Qualified in Montana _____
(Multistate corporations only)

Check applicable boxes: (1) ☐ Initial Return (2) ☐ Final Return (3) ☐ Change in Address (4) ☐ Consolidated Return

NOTE: IF COMPLETE FEDERAL RETURN COPY IS ATTACHED, OMIT LINES 1 THROUGH 27 ON THIS PAGE | ***YOU MAY ROUND TO THE NEAREST DOLLAR***

GROSS INCOME

1.	Gross receipts or gross sales .....Less: Returns and allowances	
2.	Less: Costs of goods sold and/or operations **(attach Schedule)**	
3.	Gross profit	
4.	Dividends (attach schedule)	
5.	Interest	
6.	Gross rents	
7.	Gross royalties	
8.	Capital gain net income (attach separate Schedule D)	
9.	Net gains (losses)—**(attach Federal Form 4797)**	
10.	Other income (attach schedule)	
11.	TOTAL INCOME—Add lines 3 through 10	

DEDUCTIONS

12.	Compensation of officers (attach schedule)	
13.	Salaries and wages (not deducted elsewhere)	
14.	Repairs (do not include capital expenditures)	
15.	Bad debts	
16.	Rents	
17.	Taxes **(attach schedule—may be subject to state adjustments)**	
18.	Interest	
19.	Contributions	
20.	Depreciation	
21.	Less depreciation claimed elsewhere on return	( )
22.	Depletion (attach schedule)	
23.	Advertising	
24.	Pension, profit-sharing, etc., plans	
25.	Employee benefit programs	
26.	Other deductions (attach schedule)	
27.	TOTAL DEDUCTIONS on lines 12 through 26	
28.	**Taxable income before net operating loss and special deductions (line 11 less line 27)**	

Note: If business entirely in Montana, complete lines 29 through 41 on this page.

MULTISTATE TAXPAYERS: Carry line 28 amount to line 6, page 3, and omit lines 29, 30, 31 on this page.

State Adjustments

29.	Add: (a) Montana Corporation License Tax ..... $		
	(b) Other **(attach schedule)**		
	Deduct: (c) Other **(attach schedule)**		( )
30.	**Montana Net Income: (For loss, see page 4, question 8)**		
31.	**Less: Montana net operating loss deduction (attach schedule)**		( )
32.	MONTANA TAXABLE INCOME (line 30 less 31)		$

Computation of tax due

33.	Tax liability—6¾% of line 32 (7% for Electing Water's Edge Corporations) BUT NOT LESS THAN $50.		
	Small Business Corporation (see page 1 of the instructions) $10		$
34.	Surtax - 2.3% of line 33		$
35.	**Less: Tentative Payments**	$	
	1991 Overpayment	$	
	Quarterly Estimated Payments	$	
	Contractor's Gross Receipts Tax Credit ...	$	
	Tax Credits (from page 4)	$	$ ( )
36.	Adjusted tax liability (line 33 and line 34, less line 35)		$
37.	Add: Investment Credit Recapture		$
38.	Tax Due (line 36 plus line 37)		$
39.	Add: Interest from due date @ 12%	$	
	Penalty if applicable @ 10% of line 38	$	
40.	**Balance due** (line 38 plus line 39)	$	$
41.	**If line 40 is a refund, amount to be applied to 1993 estimate**		$

ATTACH REMITTANCE PAYABLE TO STATE TREASURER

A.T. _____

Interest _____

Penalty _____

TOTAL _____

O.A. _____

Schedule L Balance Sheets

ASSETS	Beginning of taxable year (A) Amount	Beginning of taxable year (B) Total	End of taxable year (C) Amount	End of taxable year (D) Total
1. Cash				
2. Trade notes and accounts receivable				
(a) Less allowance for bad debts				
3. Inventories				
4. Gov't obligations (a) U.S. and instrumentalities				
(b) State, subdivisions thereof, etc.				
5. Other current assets (attach schedule)				
6. Loans to stockholders				
7. Mortgage and real estate loans				
8. Other investments (attach schedule)				
9. Buildings and other fixed depreciable assets				
(a) Less accumulated depreciation				
10. Depletable assets				
(a) Less accumulated depletion				
11. Land (net of any amortization)				
12. Intangible assets (amortizable only)				
(a) Less accumulated amortization				
13. Other assets (attach schedule)				
14. Total assets				
Liabilities and Stockholders' Equity				
15. Accounts payable				
16. Mtges., notes, bonds payable in less than 1 yr				
17. Other current liabilities (attach schedule)				
18. Loans from stockholders				
19. Mtges., notes, bonds payable in 1 yr. or more				
20. Other liabilities (attach schedule)				
21. Capital stock: (a) Preferred stock				
(b) Common stock				
22. Paid-in or capital surplus				
23. Retained earnings—Appropriated (attach schedule)				
24. Retained earnings — Unappropriated				
25. Less cost of treasury stock		( )		( )
26. Total liabilities and stockholders' equity				

Schedule M-1 Reconciliation of Income Per Books With Income Per Return

1. Net income per books		7. Income recorded on books this year not included in this return (itemize)	
2. Federal income tax		(a) Tax-exempt interest	
3. Excess of capital losses over capital gains			
4. Income subject to tax not recorded on books this year (itemize)		8. Deductions in this tax return not charged against book income this year (itemize)	
		(a) Depreciation $	
5. Expenses recorded on books this year not deducted in this return (itemize)		(b) Contributions $	
(a) Depreciation $		Carryover	
(b) Contributions $			
Carryover			
		9. Total of lines 7 and 8	
6. Total of lines 1 through 5		10. Income (line 28, page 1)—line 6 less 9	

Schedule M-2 Analysis of Unappropriated Retained Earnings Per Books (line 24 above)

1. Balance at beginning of year		5. Distributions out of current or accumulated earnings and profits: (a) Cash	
2. Net income per books		(b) Stock	
3. Other increases (itemize)		(c) Property	
		6. Other decreases (itemize)	
		7. Total of lines 5 and 6	
4. Total of lines 1, 2, and 3		8. Balance at end of year (line 4 less 7)	

ATTACH REMITTANCE PAYABLE TO STATE TREASURER

THIS PAGE IS REQUIRED OF MULTISTATE TAXPAYERS ONLY

SCHEDULE K

To be completed by Corporations doing business both within and without the State of Montana

APPORTIONMENT FACTORS FOR MULTISTATE BUSINESSES

	A. TOTAL	B. MONTANA	C. FACTOR (B divided by A = C)
1. Property Factor: Use average value for real property and tangible personal property			
ORIGINAL COST — Land			
Buildings			
Machinery			
Equipment			
Furniture & Fixtures			
Inventories			
Supplies and other			
Rents x 8			
Total			%
2. Payroll Factor:			
Line 12, Compensation of Officers			
Line 13, Salaries and Wages			
Payroll Included In:			
Line 2, Cost of goods sold and/or operations			
Line 14, Repairs			
Line 26. Other deductions			
Total			%
3. Sales (Gross Receipts)			
Gross Sales, Less Returns and Allowances			
Other (Attach Schedule)			
Total			%
4. Sum of Factors—(lines 1, 2, and 3)			%
5. ONE THIRD OF LINE 4 (OR LINE 4 DIVIDED BY THE # OF FACTORS EXISTING FOR TOTAL PURPOSES)			%

COMPUTATION OF MONTANA TAXABLE INCOME

FOR MULTISTATE TAXPAYERS ONLY

6.	Enter amount from line 28, page 1	$
State Adjustments 7.	Add: (a) Montana Corporation License Tax $	
	(b) Other state and foreign income taxes and Federal Environmental Tax	
	(c) Other **(attach schedule)**	
	TOTAL	$
	Deduct: (d) Allocable income **(attach schedule)** $	
	(e) Other **(attach schedule)**	
8.	Income subject to apportionment:	$
9.	Income apportioned to Montana: Line 8 times _____ % from Sch. K., line 5	
10.	Add: Income allocated directly to Montana **(attach schedule)**	
11.	Less: Montana net operating loss deduction **(attach schedule)**	
12.	MONTANA TAXABLE INCOME (enter this amount on line 32, page 1). (If a net operating loss, see page 4, question 8)	$

QUESTIONS REQUIRED OF MULTISTATE TAXPAYERS ONLY

YES NO

1. (a) Did you at the end of the taxable year own, directly or indirectly, 50% or more of the outstanding voting stock of a domestic corporation? If "Yes," attach a schedule showing name, address, and percentage owned.

(b) Were you a U.S. shareholder of any controlled foreign corporation? If "Yes," attach a schedule showing name, address, and percentage owned.

2. Did any individual, partnership, corporation, estate or trust at the end of the taxable year own, directly or indirectly, 50% or more of your voting stock? If "Yes," attach a schedule showing name, address, and percentage owned.

3. If the answer to question 2 is "Yes," did the same individual, partnership, corporation, estate or trust at the end of the taxable year also own, directly or indirectly, 50% or more of the voting stock of another (brother-sister) corporation? If "Yes," attach a schedule of the other corporate entity(ies).

TAX CREDITS (page 1, line 35)

1. Montana Capital Company Credit (see instructions page 2) ..... $ _____
2. New/Expanded Industry Credit—attach schedule (see instructions) _____
3. Wind Energy Generation Tax Credit (Attach Form MW-1) ..... _____
4. Add carryover of Montana investment credit (Earned during tax years beginning prior to 1-1-83) ... _____
5. Interest differential credit (see instructions) ..... _____
6. Dependent Care Assistance Credit - attach Form DCA-CT (see instructions) ..... _____
7. Credit Contribution to University Foundation and Montana Private Colleges - attach Form CC-CT (see instructions) ..... _____
8. Employer disability insurance premium credit - attach Form DIPC-CT (see instructions) ..... _____
9. Montana Recycling Credit - attach Form RCYL-CT (see instructions) ..... _____
10. TOTAL CREDITS (add lines 1 thru 9 and enter on line 35, page 1 the lessor of (a) this amount or (b) line 33 on page 1. ..... $ _____

QUESTIONS REQUIRED OF ALL TAXPAYERS

YES NO

1. Are you included as a member of a consolidated group for U.S. Corporation Income Tax purposes? ___ ___
   If "Yes," pages 1 through 4 of the consolidated U.S. Corporation Income Tax Return (Form 1120) and a schedule of gross income and deductions, by company, supporting the consolidated taxable income must be attached to this return.
   If you are a member of an affiliated group of corporations, please attach a list of the names of any other corporations within the group which file a Montana Corporation License Tax return.

2. Has the Internal Revenue Service determined your taxable income (Form 1120, line 28) or income tax liability to be different from that report for any previous year? ___ ___
   If "Yes," indicate the most recent taxable year and completion date for which an Internal Revenue Service audit has been completed: _____

3. Are any statute of limitation waivers currently in force which have been executed with the Internal Revenue Service? ___ ___
   If "Yes," which taxable years are covered and what are the expiration dates of the waivers? _____

4. Has an amended federal return been filed for any of the last five (5) taxable years? ___ ___
   If "Yes," which taxable year was amended? _____

5. Describe the nature and location(s) of your Montana activities: _____

6. If this is the corporation's first return, indicate whether: ☐ New business, or ☐ Successor to previously existing business. Enter name, address and Federal employer identification number of previous business _____

7. If this is the corporation's final return, indicate whether: ☐ Dissolved, ☐ Withdrawn, or ☐ Merged or reorganized on date _____
   If your status has been changed by merger or dissolution, attach a statement with the details.

8. ☐ Check here if you wish to forego the net operating loss carryback provision.

9. If this is a consolidated return, please list all companies included in the return.

DECLARATION

This return must be signed by one of the following: the president, the vice-president, the treasurer, the assistant treasurer or the chief accounting officer.

I, the undersigned officer of the corporation for which this return is made, hereby declare that this return, including all accompanying schedules and statements is, to the best of my knowledge and belief, a true, correct and complete return, made in good faith for the income period stated, pursuant to the Montana Corporation License Tax Law and Regulations.

Date _____ Signature of officer _____

Title _____

Name of Person or firm preparing return _____ Date _____

Address and Zip Code _____ Telephone Number _____

File this return on or before the 15th day of the fifth month after the close of taxable year. File with the Montana Department of Revenue, Natural Resource and Corporation Tax Division, Mitchell Bldg., Helena, Montana 59620. ATTACH REMITTANCE PAYABLE TO STATE TREASURER.

STATE OF MONTANA

DEPARTMENT OF REVENUE — NATURAL RESOURCE AND CORPORATION TAX DIVISION

SMALL BUSINESS CORPORATION — DISTRIBUTION SCHEDULE OF TAXABLE INCOME, LOSS, OR CAPITAL GAIN

CORPORATION NAME: _____ **ADDRESS:** _____

FEDERAL EIN: _____

Year Beginning **And Ending**

SHAREHOLDER'S NAME & ADDRESS	SOCIAL SECURITY NO.	OWNERSHIP PERCENTAGE	PROFIT (LOSS) PERCENTAGE
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			
13.			
14.			
15.			
16.			
17.			

SHARE-HOLDER	SALARIES OR OTHER COMPENSATION	SHARE OF TAXABLE INCOME		PASSIVE INCOME	ITEMIZED DEDUCTIONS
		ORDINARY INCOME or (LOSS)	LONG-TERM CAPITAL GAIN		MEDICAL, CONTRIBUTIONS, ETC.
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					
15.					
16.					
17.					

CURRENT TAXABLE DIVIDEND DISTRIBUTIONS—Please indicate the distribution date(s): _____

If more than one distribution date, what was the total amount distributed each date? _____

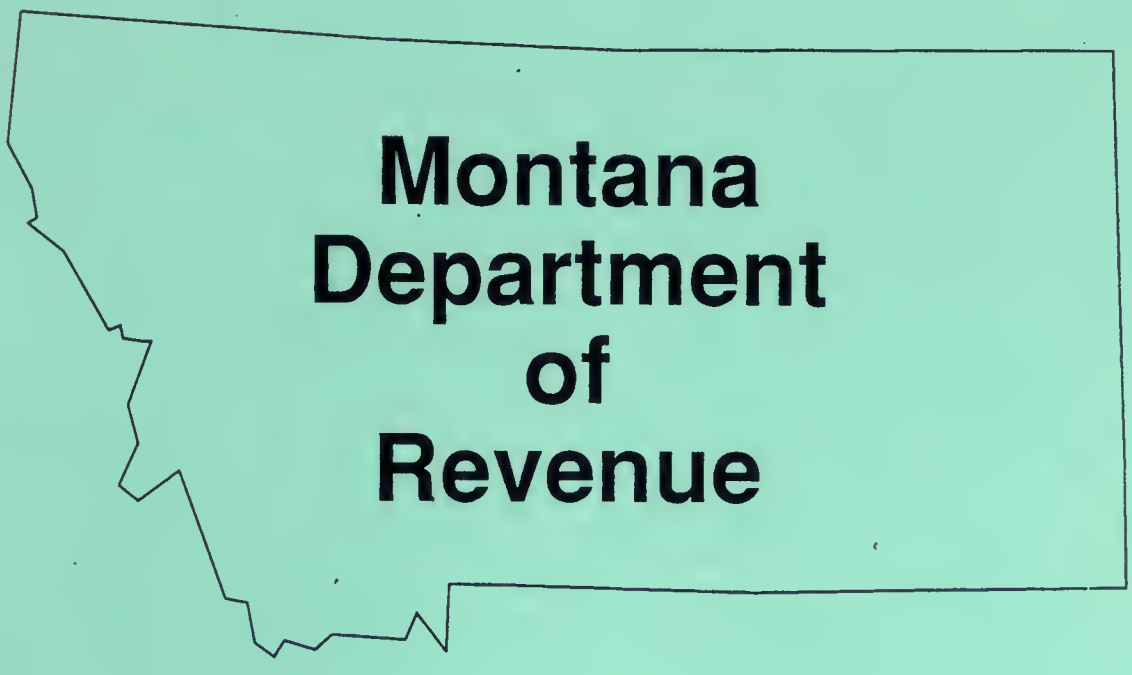
SHAREHOLDER'S NAME & ADDRESS	SOCIAL SECURITY NO.	OWNERSHIP PERCENTAGE	PROFIT (LOSS) PERCENTAGE
18.			
19.			
20.			
21.			
22.			
23.			
24.			
25.			
26.			
27.			
28.			
29.			
30.			
31.			
32.			
33.			
34.			
35.			

SHARE-HOLDER	SALARIES OR OTHER COMPENSATION	SHARE OF TAXABLE INCOME		PASSIVE INCOME	ITEMIZED DEDUCTIONS
		ORDINARY INCOME or (LOSS)	LONG-TERM CAPITAL GAIN		MEDICAL, CONTRIBUTIONS, ETC.
18.					
19.					
20.					
21.					
22.					
23.					
24.					
25.					
26.					
27.					
28.					
29.					
30.					
31.					
32.					
33.					
34.					
35.					
TOTALS					

Attach schedule for distributions made out of surplus earned prior to the first taxable year for which the election under Section 15-31-202 Montana Codes annotated, is effective.

Preparer's Signature

PROPERTY TAX 1993



Montana
Department
of
Revenue

PROPERTY ASSESSMENT

Although 95% of property taxes collected are spent locally, the Property Assessment Division is responsible for insuring that all property in the state is treated fairly. The Division's duties include the appraisal, assessment, and equalization of the value of all property in the state for the purpose of taxation.

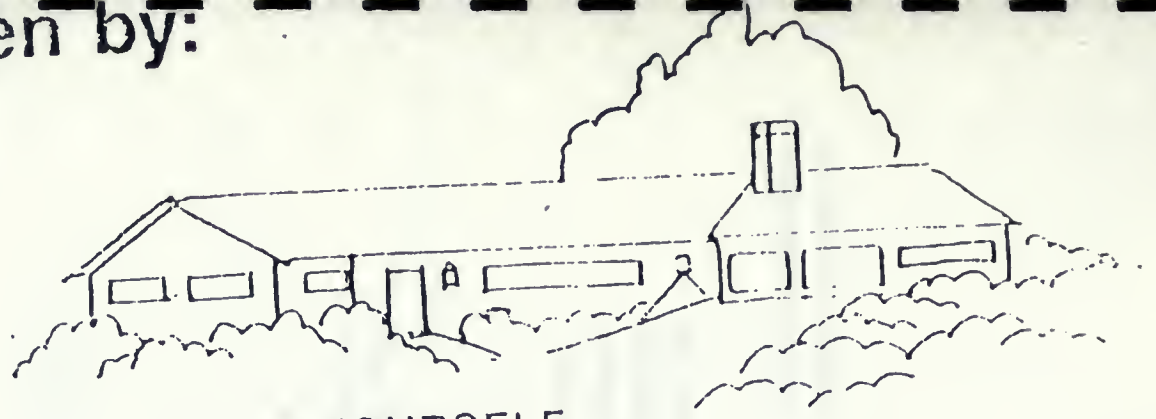
Most real estate and improvements are appraised by state employees in the appraisal office in each county. The county assessor is assigned the responsibility for appraising most personal property as an agent of the department. The rate of tax on the various classes of property and the establishment of the actual classes is a function of the Legislature.

Property that is single and continuous and is more than one county (such as railways, telephone lines, power lines and pipelines) is centrally assessed by the Property Assessment Division. The valuation is apportioned to counties and other jurisdictions on a mileage basis or other basis to be "reasonable and proper."

In 1975, the legislature required the Department of Revenue to administer and supervise a program for the revaluation every five years of all taxable property within the state. In 1991, the legislature reduce future reappraisal cycles from five to three years. Revaluations (more commonly called reappraisal cycles) are designed to insure that all property is taxed on current structural and market information. Montana's second statewide reappraisal was completed in the 1985. The new reappraisal values were first used for the 1986 tax year. The state's third reappraisal is scheduled to be completed by December 31, 1992.

YOUR HOUSE as seen by:

YOUR LENDER



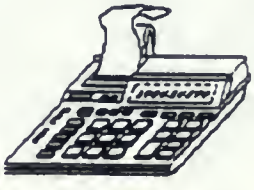
YOURSELF

YOUR BUYER

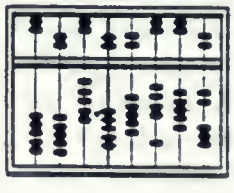
YOUR INSURANCE APPRAISER

YOUR TAX ASSESSOR

$20,000 = MARKET VALUE



$20,000 x 3.86% = $772
MARKET VALUE x TAX RATE = TAXABLE VALUE



$772 x .250 = $193.00
TAXABLE VALUE x MILL LEVY = TAXES

PROPERTY TAXATION

All taxable property must be assessed at 100% of its market value except as otherwise provided (15-8-111, MCA).

Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

$20,000 = Market Value

The market value is multiplied times the statutory taxable percentage to get the taxable value of the property.

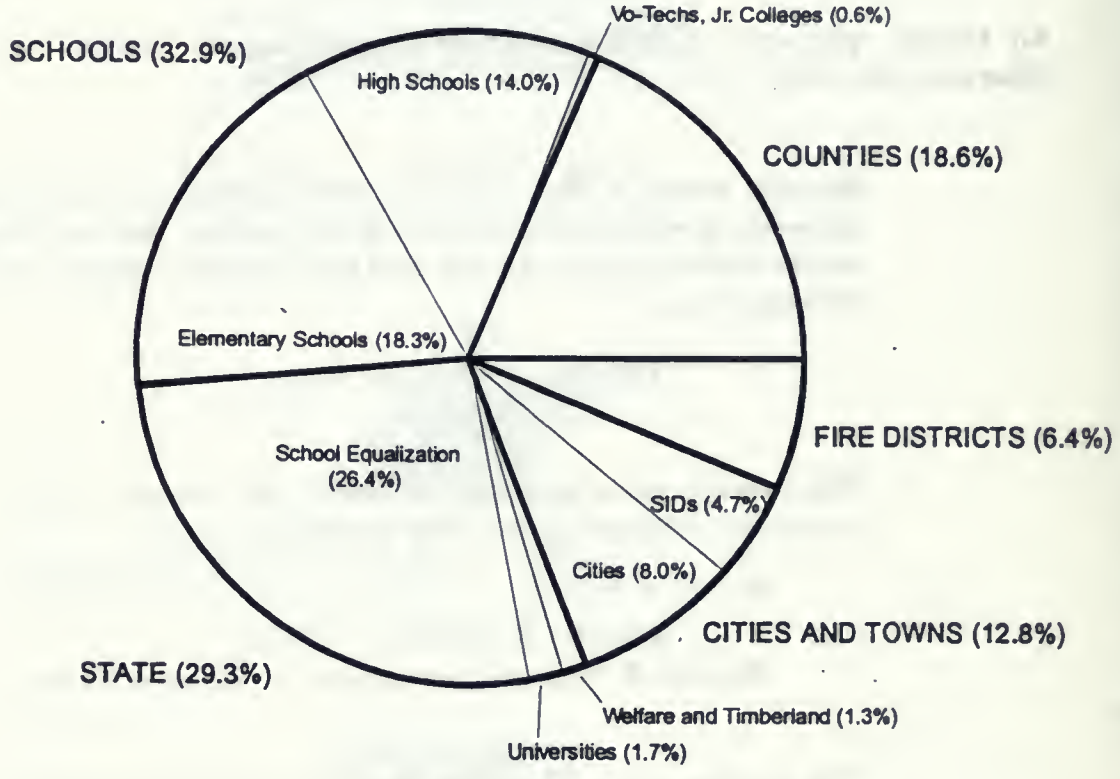
$20,000 X 3.86% = $772
Market X Taxable percentage = Taxable Value

The taxable value is multiplied times the mill levy of the district to get taxes.

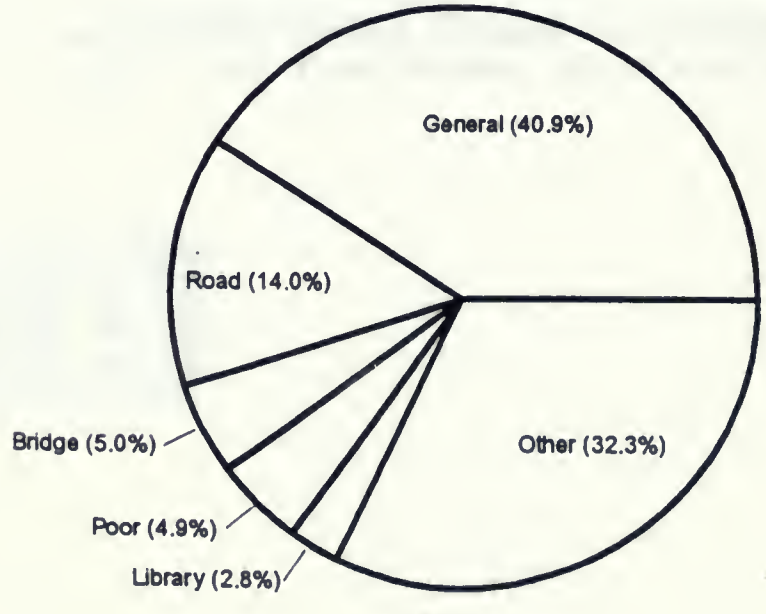
$772 X 250 mills = $193

A mill is a tenth of a cent, so a levy of 250 translates to $250 per $1,000 of taxable value ($1,000 X .250 = $250).

Property Taxes Levied in 1992



Counties Breakdown



TAXES LEVIED IN MONTANA 1991 - 1992

	1991	1992
Market Valuation	$ 27,783,297,314	$ 28,421,290,593
Taxable Valuation	$ 1,595,221,460	$ 1,632,622,989
State		
University	$ 9,571,997	$ 9,810,675
School Equalization	151,556,626	155,335,684
State Assumption of Welfare	6,905,179	7,065,841
Timberland Assessment	354,677	355,692
	$ 168,388,479	**$ 172,567,892**
County		
General	$ 41,125,105	$ 44,773,421
Road	15,013,214	15,360,545
Bridge	5,369,209	5,525,353
Poor	4,987,987	5,367,451
Bond Interest	1,049,245	618,684
County Fair	1,482,409	1,531,917
Library	2,968,464	3,098,784
Agricultural Extension	1,582,733	1,546,415
Planning	687,359	709,625
Health and Sanitation	1,585,162	1,745,730
Hospital	1,435,842	1,204,587
Airport	1,080,157	974,767
Other	25,522,762	26,993,816
	$ 103,889,648	**$ 109,451,095**
Local Schools		
Elementary	$ 102,559,030	$ 107,559,828
High School	77,847,503	82,539,274
Vo-tech and Jr. College	3,626,935	3,680,656
	$ 184,033,468	**$ 193,779,758**
Miscellaneous Districts		
Fire	$ 8,555,519	$ 9,448,774
Other	28,426,110	28,430,029
	$ 36,981,629	**$ 37,878,803**
Total Except Cities and Towns	**$ 493,293,224**	**$ 513,677,548**
Cities and Towns		
General	$ 45,676,976	$ 47,277,275
Special Improvements	27,654,388	27,879,875
	$ 73,331,364	**$ 75,157,150**
Grand Total All Taxes	**$ 566,624,588**	**$ 588,834,698**

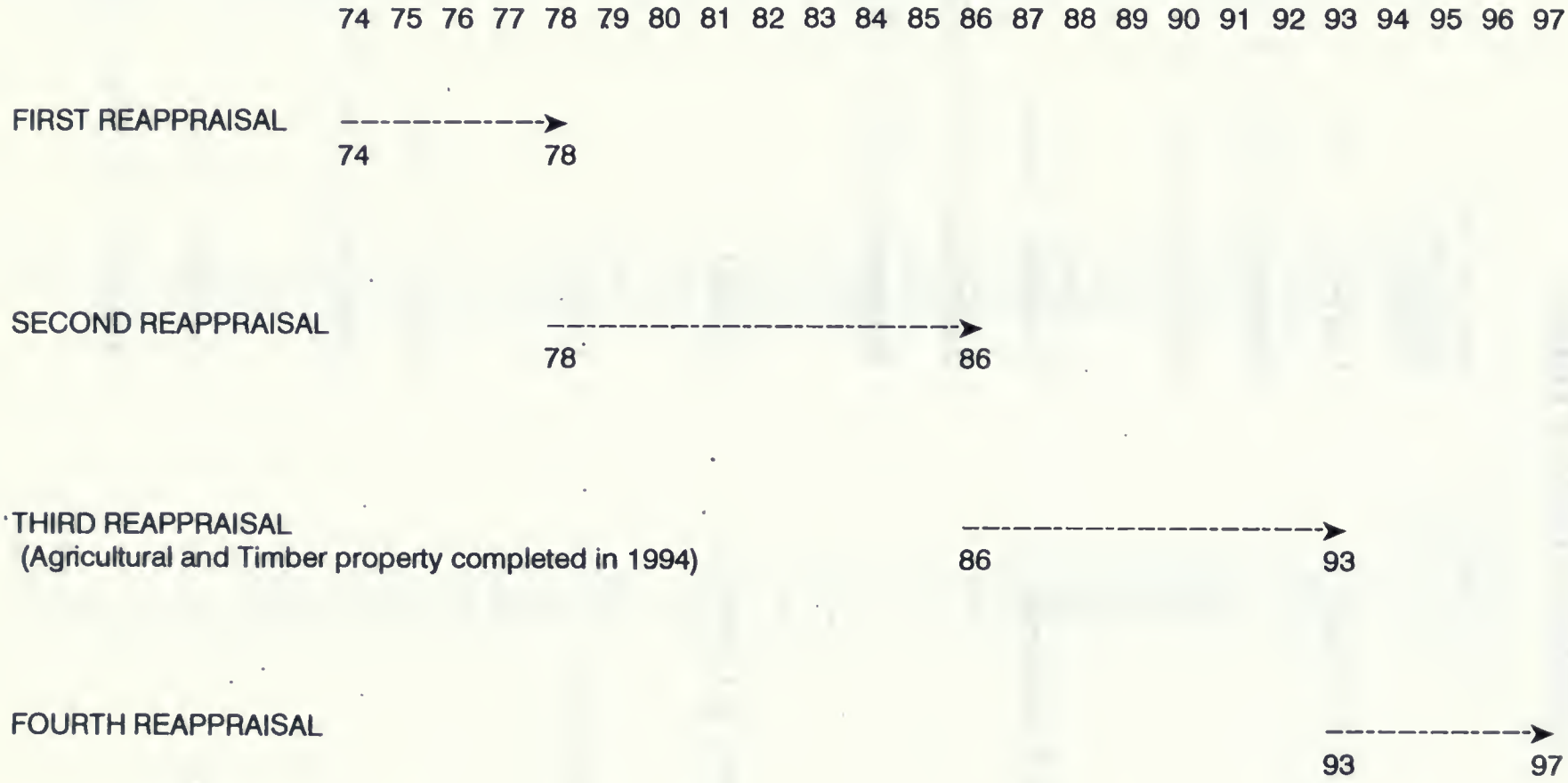
TOTAL TAXES LEVIED - 1992

County	Cities and Towns Amount Levied	Special Improvement Districts Amount Levied	Levied for Cities, Towns and S.I.D's	Grand Total of All Taxes for All Purposes
Beaverhead	$ 337,019	$ 0	$ 337,019	$ 5,738,958
Big Horn	269,636	256,920	526,556	6,181,278
Blaine	307,144	464,783	771,927	4,896,189
Broadwater	124,389	11,038	135,427	3,512,538
Carbon	443,729	111,391	555,120	6,223,454
Carter	36,269	0	36,269	2,170,671
Cascade	5,876,144	3,976,345	9,852,489	45,734,194
Chouteau	249,742	184,266	434,008	8,632,247
Custer	897,377	674,627	1,572,004	7,551,461
Daniels	115,134	28,683	143,817	2,392,498
Dawson	761,514	459,676	1,221,190	7,946,943
Deer Lodge	53,074	426,658	479,732	4,345,249
Fallon	188,578	40,902	229,480	2,554,133
Fergus	716,882	163,007	879,888	8,327,723
Flathead	2,864,264	1,577,603	4,441,867	41,563,639
Gallatin	3,963,706	87,388	4,051,093	30,512,466
Garfield	17,702	147,352	165,054	1,730,170
Glacier	326,347	198,495	524,842	5,466,166
Golden Valley	17,332	0	17,332	1,391,969
Granite	116,774	12,107	128,880	2,112,380
Hill	1,077,418	1,060,077	2,137,495	10,901,467
Jefferson	142,483	0	142,483	6,006,212
Judith Basin	39,466	18,277	57,742	2,656,423
Lake	456,027	142,780	598,807	12,728,248
Lewis And Clark	3,100,432	0	3,100,432	29,401,768
Liberty	52,760	87,307	140,067	2,726,829
Lincoln	392,254	0	392,254	8,791,262
Madison	178,125	129,158	307,283	6,695,053
Meccone	99,989	0	99,989	2,476,976
Meagher	77,949	0	77,949	2,292,176
Mineral	81,613	0	81,613	2,758,326
Missoula	7,874,125	828,614	8,702,739	59,085,272
Musselshell	123,343	163,317	286,661	2,364,200
Park	946,750	91,017	1,037,767	8,836,806
Petroleum	10,112	0	10,112	646,923
Phillips	269,431	416,533	685,964	5,739,966
Pondera	268,724	234,447	503,171	5,160,622
Powder River	61,361	44,977	106,338	2,472,207
Powell	171,523	49,989	221,512	3,840,722
Prairie	58,649	17,751	76,400	1,614,669
Ravalli	597,866	91,689	689,555	11,315,908
Richland	544,637	1,505,848	2,050,485	7,728,681
Roosevelt	312,569	332,791	645,360	6,805,412
Rosebud	217,133	189,723	406,856	27,503,573
Sanders	263,012	1,774	264,786	8,035,773
Sheridan	292,648	54,542	347,190	3,530,656
Silver Bow	13,393	1,082,864	1,096,257	28,771,203
Stillwater	265,660	297,778	563,438	6,193,504
Sweet Grass	150,071	947	151,018	2,685,042
Teton	209,923	153,640	363,563	6,653,550
Toole	367,292	167,270	534,561	5,109,279
Treasure	23,779	0	23,779	1,405,421
Valley	557,705	11,936	569,641	9,131,233
Wheatland	87,847	1,150	88,996	2,269,913
Wibaux	50,436	15,873	66,309	1,143,582
Yellowstone	10,158,016	11,866,567	22,024,584	84,371,513
TOTAL	$47,277,275	$27,879,875	$75,157,150	$588,834,696

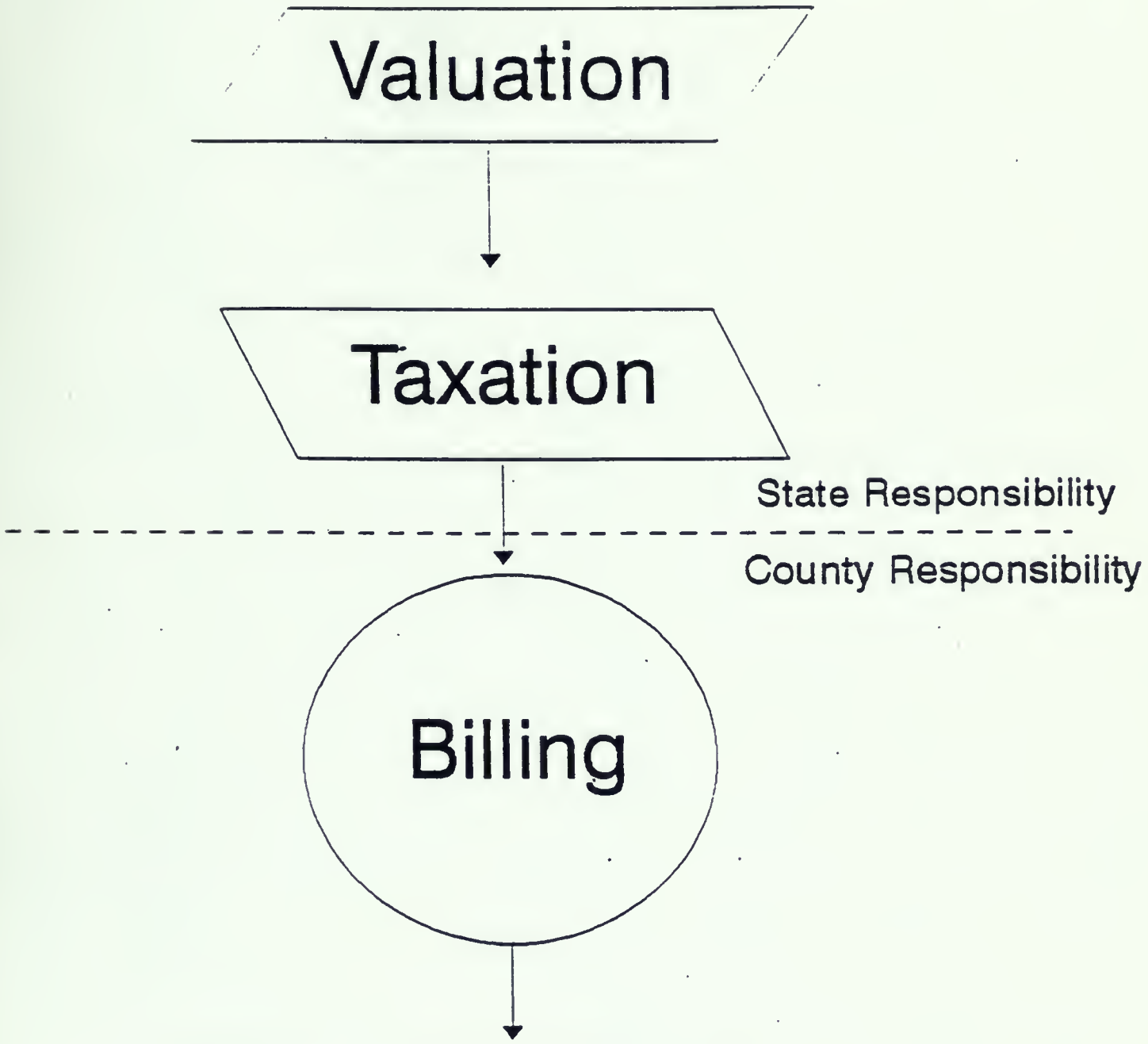
REAPPRAISAL CYCLES

Property Types	Cycles
Residential Land & Buildings	Current - 7 years
	Beginning in 1993 - 4 Years
	Beginning in 1997 - 3 Years
Commercial Land & Buildings	Current - 7 years
	Beginning in 1993 - 4 Years
	Beginning in 1997 - 3 Years
Business Equipment & Livestock	Annual
Inter-County Properties	Annual
Forest Lands	Current - 7 years
	Beginning in 1994 - 3 Years
Agricultural Land	Current - 7 years
	Beginning in 1994 - 3 Years

REAPPRAISAL CYCLES



Functions


Valuation
Taxation
State Responsibility
County Responsibility
Billing
Collection
Reconciliation

THE RATIONALE FOR PLACING PROPERTY IN TAX CLASSES

Property in Montana was first placed in statutory tax classes in 1919. Seven classes were created by the Legislature. The fiscal impact was a 3 fold increase in assessed value.

Changes in tax classifications were made over the years including rate changes, movement of property between classes, and exemption of property from taxation. However, the most significant changes occurred in 1977 and 1979.

In 1977, the Legislature adopted a market value standard for valuing property and established rates for taxing the property (taxable value rates). This ended the fractional assessment of property in Montana. The 1977 legislation was designed to maintain effective tax rates for various types of property.

To maintain effective tax rates the number of classes were increased from 11 to 18. In addition, 2 more classes were created in 1977 bringing the total to 20.

The Legislature was concerned with the large number of classes. They provided for an interim study of classifications and the reasons for grouping types of property. As a result of the study, legislation was introduced and passed in 1979 grouping like property into the same class and reducing the classes from 20 to 10.

Through the 1980's the number of classes doubled returning to the 1977 grouping level of 20. Also, the property tax on several properties was replaced by fees.

The 1991 Legislature provided tax rate reductions to certain types of personal property. It then reduced the number of tax classes to 12 by combining those tax classes with similar property types and tax rates.

Perhaps the rational for placing property in classed can best be described as well intended, but at times inconsistent. Often the desire to address the concerns of individual property owners or small groups of owners has influenced property classification in Montana.

CLASSES OF PROPERTY AND TAX RATES

The 1991 Legislature passed a bill consolidating the existing 17 property classes into 12. The revised property classification system is as follows (taxable value percentage is in parenthesis):

Class 1 • Net proceeds of all mines and mining claims except coal and metal mines *(100%)*

Class 2 • Gross proceeds of metal mines *(3%)*

Class 3 • Agricultural land *(30% of productive capacity)*
Nonproductive patented mining claims *(30% of productive capacity)*

Class 4 • Residential, commercial, and industrial land and improvements *(3.86%)*
- Golf courses *(1.93%)*
- Idle agricultural and timber processing property *(3.86%)*
- Mobile homes *(3.86%)*

Class 5 • Air and water pollution control equipment *(3%)*
- Rural electric and telephone cooperatives *(3%)*
- Real and personal property of "new industry" *(3%)*
- Machinery and equipment used in electrolytic reduction facilities *(3%)*
- Real and personal property of research and development firms *(3%)*
- Real and personal property used to produce gasohol *(3%)*

Class 6 • Livestock *(4%)*
- Rental or lease equipment valued at less than $5,000 *(4%)*
- Machinery and equipment used in canola seed oil processing facilities *(4%)*

Class 7 • Qualifying independent telephone cooperatives *(8%)*

Class 8 • Business personal property *(9%)*

Class 9 • Real & personal property of utilities, telecommunication companies and pipelines *(12%)*

Class 10 • Timberland *(4% beginning in tax year 1991)*

Class 11 • Farmsteads *(3.088%)*

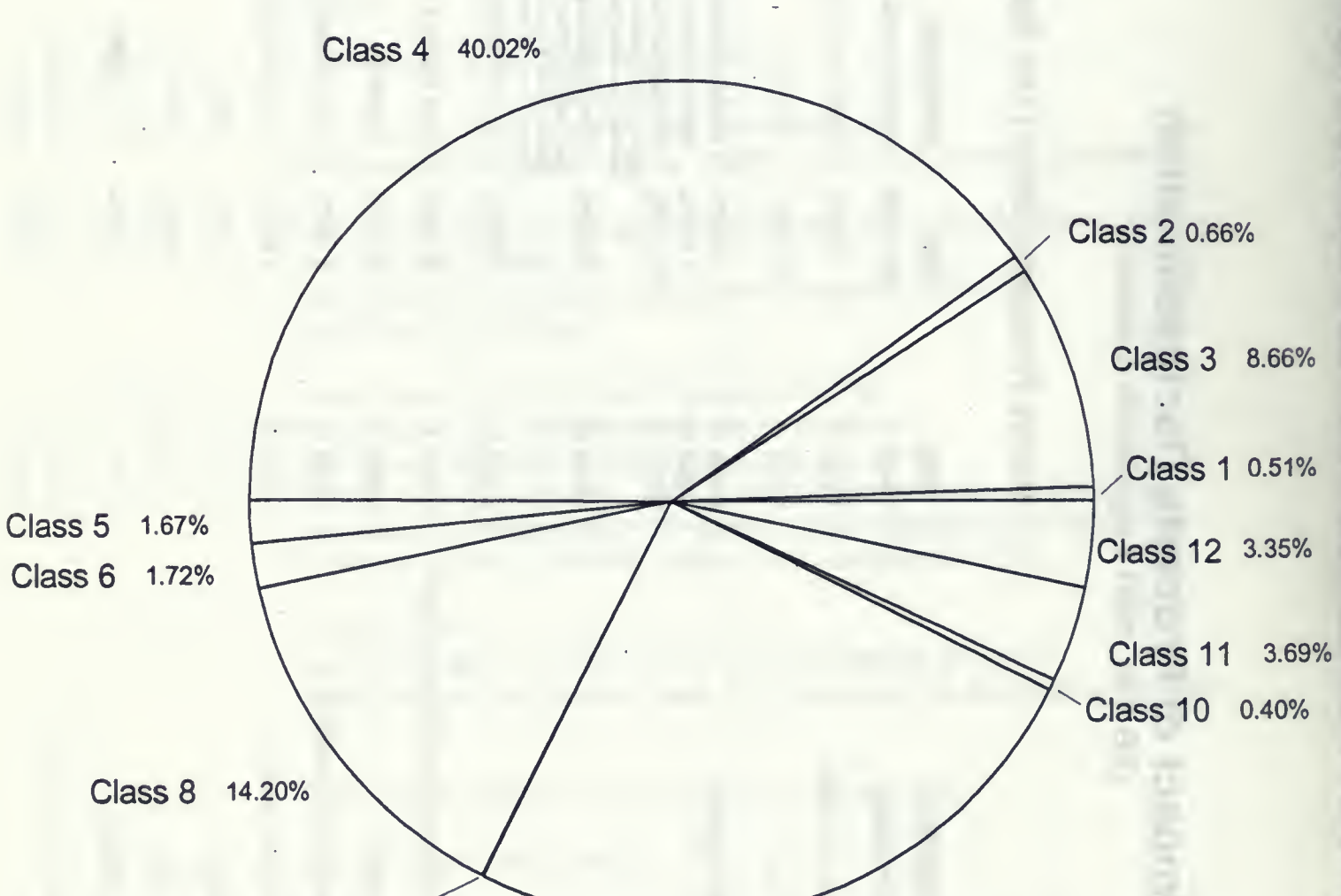
Class 12 • Real and personal property of railroads and airlines *(7.53% for tax year 1992)*

Impact of Property Reclassification
(SB 436, 1991 Legislative Session)

Current Classification			Before Reclassification (Tax Year 1991)		
Class	***Rate***	***Description***	***Class***	***Rate***	***Description***
Class 1	100.000%	Net Proceeds	Class 1	100.000%	Net Proceeds
Class 2	3.000%	Gross Proceeds	Class 2	3.000%	Gross Proceeds
Class 3	30.000%	Ag Land	Class 3	30.000%	Ag Land
Class 4	3.860%	Real Property	Class 4	3.860%	Residential and Commercial Real
			Class 12	3.860%	Mobile Homes
			Class 18	30.000%	Nonproductive Mining Claims *(Appraisal method changes from productivity to market value basis, no revenue impact to property).*
			Class 19	2.000%	Nonproductive Real Less Than 20 ac. *(Assume appraised values will be decreased to reflect conditions which preclude development of the property, no revenue impact).*
			Class 20	3.860%	Out of Production Ag and Timber
Class 5	3.000%	New Industry and Pollution Control	Class 5	3.000%	New Industry and Pollution Control
Class 6	4.000%	Livestock	Class 6	4.000%	Livestock
Class 7	8.000%	Independent Telephone	Class 7	8.000%	Independent Telephone
Class 8	9.000%	Personal Property	Class 8	9.000%	Personal Property
Class 9	12.000%	Utilities	Class 11	12.000%	Utilities
Class 10	3.840%	Timber	Class 13	3.840%	Timber
Class 11	3.088%	Farmsteads	Class 14	3.088%	Farmsteads
Class 12	7.530%	Railroads and Airlines	Class 15	7.530%	Railroads
			Class 17	7.530%	Airlines

Analysis of 1992 Tax Base

Percent of Statewide Taxable Value in Each Class



Taxable Value Comparison
By Property Class – Tax Year 1991 and 1992

Class	Description	1991 Taxable Value	1992 Taxable Value	Dollar Change	Percent Change
1	Net Proceeds	8,318,381	8,401,789	83,408	1.0%
2	Gross Proceeds	12,230,635	11,640,701	(589,934)	−4.8%
3	Agricultural Land	141,558,901	141,398,060	(160,841)	−0.1%
4	Residential and Commercial Real	636,712,333	653,419,621	16,707,288	2.6%
5	Co−ops, Pollution Control, New Industry	27,333,101	27,272,962	(60,139)	−0.2%
6	Livestock	29,705,017	28,148,354	(1,556,663)	−5.2%
7	Independent Telephone	885,909	797,813	(88,096)	−9.9%
8	Busines Equipment	223,882,855	230,961,035	7,078,180	3.2%
9	Utilities	395,328,590	409,123,653	13,795,063	3.5%
10	Timber Land	6,669,376	6,569,447	(99,929)	−1.5%
11	Farmsteads	59,003,031	60,258,864	1,255,833	2.1%
12	Railroads and Airlines	53,593,331	54,630,690	1,037,359	1.9%
	Total	1,595,221,460	1,632,622,989	37,401,529	2.3%

Compiled by the Office of Research and Information, Montana Department of Revenue. 03−Sep−92

STATEWIDE

1992 PROPERTY CLASSES	1991 QUANTITY	1991 ASSESSED	1991 TAXABLE	1992 QUANTITY	1992 ASSESSED	1992 TAXABLE
CLASS 1						
Net Proceeds		8,318,381	8,318,381		8,401,789	8,401,789
CLASS 2						
Gross Proceeds		407,687,857	12,230,635		361,545,209	10,846,321
CLASS 3						
Agricultural Land:						
Tillable Irrigated (30%)	1,504,313	46,432,340	13,931,138	1,482,839	46,229,817	13,870,335
Tillable Non-Irrigated (30%)	12,369,653	279,743,263	83,926,814	12,344,847	279,649,497	83,898,272
Grazing (30%)	35,970,866	123,884,389	38,173,940	35,914,887	127,011,262	38,113,082
Wild Hay (30%)	1,068,569	18,380,305	5,515,003	1,070,431	18,341,382	5,503,331
Eligible Mining Claims (30%)		39,969	12,005		43,401	13,040
Class 3 Subtotal	50,913,401	468,480,266	141,558,901	50,813,005	471,275,359	141,398,060
CLASS 4						
Land and Improvements:						
Residential (3.86%)		11,097,211,105	428,349,943		11,397,770,050	439,943,921
Residential Low Income (0%-3.474%)		226,079,425	5,127,462		234,661,503	5,279,414
Mobile Homes (3.86%)		387,559,421	14,966,010		432,492,255	16,686,674
Mobile Homes Low Income (0%-3.474%)		13,847,703	308,121		15,243,720	339,833
Commercial (3.86%)		4,145,372,207	160,005,634		4,219,653,293	162,866,535
Industrial (3.86%)		686,007,248	26,479,883		693,371,832	26,764,135
New Manufacturing (1.93%-3.474%)		34,468,550	669,411		40,307,433	791,600
Qualified Golf Courses (1.93%)		30,376,681	586,266		30,026,703	579,514
Remodeled Commercial (0.772%-3.86%)		5,702,113	109,788		5,150,790	92,298
Nonproductive Land Under 20 Acres (3.86%)		5,482,951	109,673		1,833,589	70,774
Out of Production Ag/Timber (3.86%)		18,078	140		127,521	4,923
Class 4 Subtotal		16,632,125,482	636,712,333		17,070,638,689	653,419,621
CLASS 5						
Rural Electric and Telephone Co-Op (3%)		347,885,961	10,441,555		362,401,309	10,901,061
Qualified New Industrial (3%)		74,254,233	2,227,626		63,412,706	1,902,381
Pollution Control (3%)		449,936,825	13,466,932		446,293,169	13,322,614
Gasohol Related (3%)		17,392	522		17,309	519
Research and Development (0%-3%)		4,639,550	102,399		3,930,066	91,672
Aluminum Electrolytic Equipment (3%)		36,468,893	1,094,067		35,157,158	1,054,715
Class 5 Subtotal		913,202,854	27,333,101		911,211,717	27,272,962
CLASS 6						
Livestock (4%)		676,073,973	27,296,910		698,273,248	27,929,403
Lease and Rental Equipment (4%)		8,703,349	363,770		5,466,708	218,951
Canola Seed Processing Equipment (4%)		0	0		0	0
Class 6 Subtotal		684,777,322	27,660,680		703,739,956	28,148,354
CLASS 7						
Independent Telephone (8%)		10,470,132	885,909		9,972,685	797,813
CLASS 8						
Machinery (9%)		1,172,211,777	101,652,527		1,218,955,986	105,210,207
Farm Implements (9%)		613,903,892	53,626,074		605,193,680	54,467,547
Buses, Trucks, and Trailers (9%)		160,323,844	14,435,171		163,417,762	14,709,199
Furniture and Fixtures (9%)		353,613,309	31,826,103		382,292,519	34,406,847
Broadcasting Equipment (9%)		24,762,306	2,228,635		26,415,074	2,377,279
Other Business Equipment (9%)		247,524,014	22,158,681		229,909,232	20,584,336
Class 8 Subtotal.		2,572,339,142	225,927,191		2,626,184,253	231,755,415
CLASS 9						
Utilities (12%)		3,294,405,152	395,328,590		3,412,067,516	409,123,653
CLASS 10						
Timber Land (4%)	3,551,753	166,734,757	6,669,376	3,561,283	164,235,440	6,569,447
CLASS 11						
One Acre Farmsteads (3.088%)		1,905,148,150	58,830,501		1,945,573,106	60,078,412
One Acre Farmsteads Low Income (0%-2.779%)		8,857,635	172,530		10,937,586	180,452
Class 11 Subtotal		1,914,005,785	59,003,031		1,956,510,692	60,258,864
CLASS 12						
Railroads (7.53%)		647,349,324	48,810,134		658,427,208	49,579,563
Airlines (7.53%)		63,400,860	4,783,197		67,080,080	5,051,127
Class 12 Subtotal		710,750,184	53,593,331		725,507,288	54,630,690
TOTAL		27,783,297,314	1,595,221,460		28,421,290,593	1,632,622,989

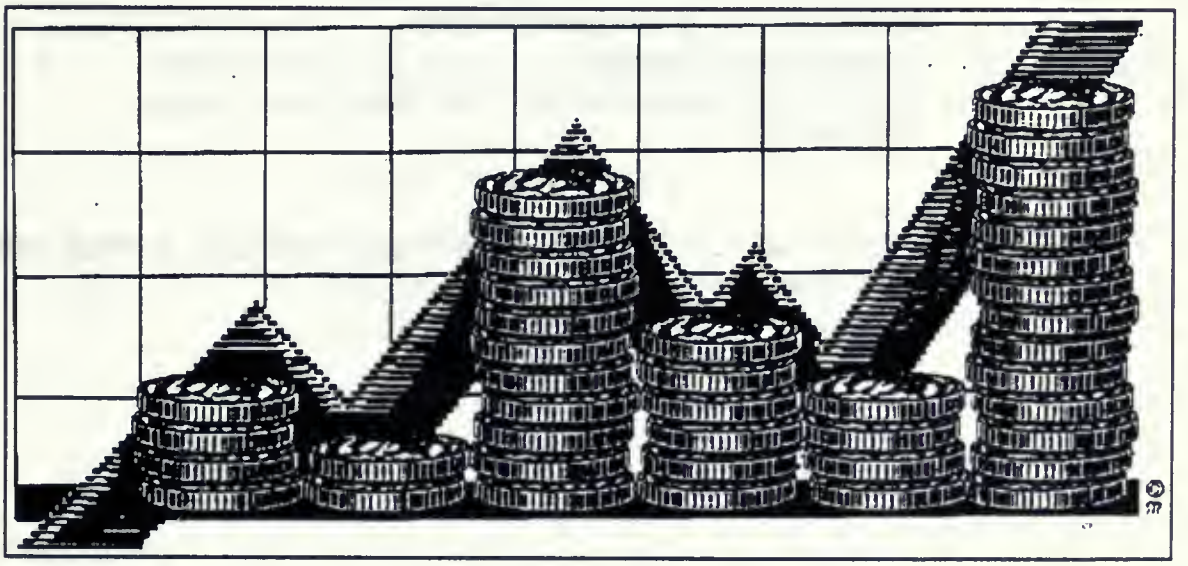
NOTE: Figures shown are as reported to the Department of Revenue by the County Assessor.

CLASS ONE (15-6-131, MCA) 100% of Annual Net Proceeds

- Includes the annual net proceeds of all mines and mining claims except coal and metal mines.
- Class one property is taxed at 100% of its annual net proceeds after deducting the expenses specified and allowed.

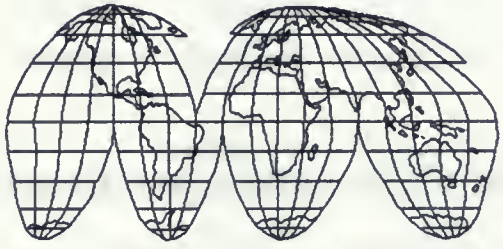
CLASS TWO (15-6-132, MCA) 3% of Annual Gross Proceeds

- Includes the annual gross proceeds of metal mines.
- Class two property is taxed at 3% of its annual gross proceeds.



CLASS THREE (15-6-133, MCA) 30% of Productive Capacities

- Agricultural land and Nonproductive patented mining claims
  The property is appraised by the local appraisal office. The productive capacity of the land is based on the ability to produce net farm income.



- There are five classifications of agricultural land:
  1. Continuously cropped tillable / non-irrigated farmland.
  2. Fallow tillable / non-irrigated farmland.
  3. Irrigated tillable farmland.
  4. Continuously cropped hay land (wild hay).
  5. Grazing land.

- Given a 20 acre field, tillable fallow / non-irrigated farmland. Average yield is 25 bushels of wheat per acre.

  (20 acres @ $32.22 per acre)
  $644 = Market Value

  $644 X 30% = $193
  Market X Taxable percentage = Taxable Value

  $193 X 250 mills = $48.25
  Taxable X Mills = Taxes

CLASS FOUR (15-6-134, MCA) 3.86% of Market Value

- All land and improvements (except those specifically included in another class). The property is appraised by the local appraisal office (except large industrial property).

- This includes residential, commercial, and industrial land and improvements (3.86%); Idle agricultural and timber processing property (3.86%); Mobile homes (3.86%); and Golf courses (1.93%).

- Market value of land and improvements is calculated using the cost, income and market approaches by the county appraisal office.

$50,000 = Market Value

$50,000 X 3.86% = $1,930
Market X Taxable percentage = Taxable Value

$1,930 X 250 mills = $482.50
Taxable X Mills = Taxes

- For qualifying low income property owners, an adjustment is made to the taxable value of the property. The adjustment is based on the amount of their annual income.

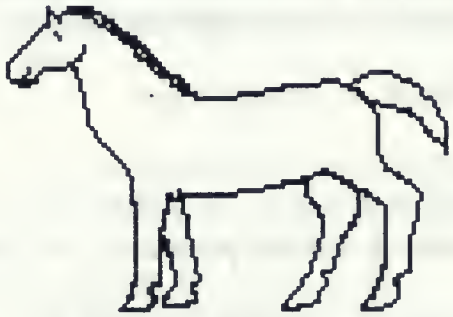
CLASS FIVE (15-6-135, MCA) 3% of Market Value

- Includes:
  1. Approved air and water pollution control equipment,
  2. All property used and owned by rural electric and telephone cooperatives,
  3. Real and personal property of "new industry",
  4. Machinery and equipment used in electrolytic reduction facilities,
  5. All qualifying property owned by a research and development firm,
  6. Any property used primarily in the production of gasohol (first 3 years).

- The market value of personal and real property is determined utilizing the same methods for other similar property, but classified at 3 percent.

CLASS SIX (15-6-136, MCA) 4% of Market Value

- Includes:
  1. Livestock and other species of domestic animals and wildlife raised in domestication,
  2. Rental or lease equipment valued at less than $5,000,
  3. Machinery and equipment used in a canola seed oil processing facilities.



- The market value of livestock is determined by an analysis of average market prices throughout a given area. The livestock also is charged a per head capita tax that is used for funding for the Department of Livestock.

Saddle Horse

$564 = Market Value

$564 X 4% = 23
Market X Taxable percentage = Taxable Value

$23 X 250 mills = $5.75
Taxable X Mills = Taxes

Per head Capita Tax = $1.58

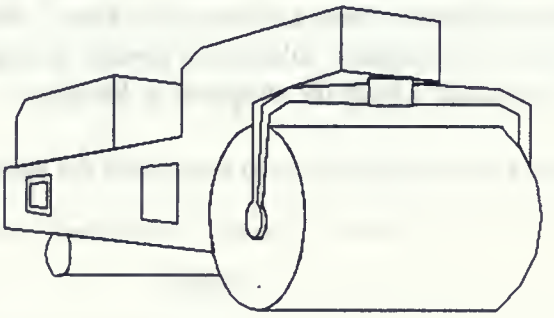
CLASS SEVEN (15-6-137,MCA) 8% of Market Value

- Qualifying independent telephone cooperatives

- The market value of personal and real property is determined utilizing the same methods for other similar property, but classified at 8 percent.

CLASS EIGHT (15-6-138, MCA) 9% of Market Value

- Business personal property.



- The market value for machinery and equipment is usually determined by applying a percent good factor to the acquired cost.

Steamroller acquired in 1984 (36% good)

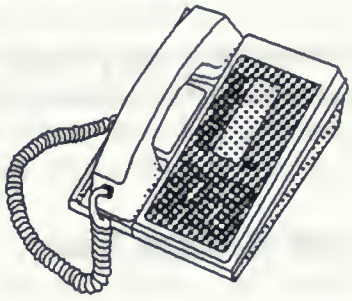
$7,200 = Market Value
(Acquired cost X Percent Good Table)

$7,200 X 9% = $648
Market X Taxable percentage = Taxable Value

$648 X 250 mills = $162
Taxable X Mills = Taxes

CLASS NINE (15-6-141, MCA) 12% of Market Value

- All real and personal property owned and used by centrally assessed companies (Electric, Telephone, and Pipeline).



- Centrally assessed companies are valued by staff appraisers in Helena by a method referred to as the "unit approach to value." The appraiser determines a system value for the company, allocates a portion to the state and then apportions values to the counties where the property is located.

- Three indicators are typically used to determine the system value of the company:

COST
INCOME
MARKET/STOCK AND DEBT

- The indicators are correlated (weighted to arrive at a system value):

SYSTEM VALUE

- The Department determines an allocated value to the state (what portion belongs to Montana):

ALLOCATED MONTANA VALUE

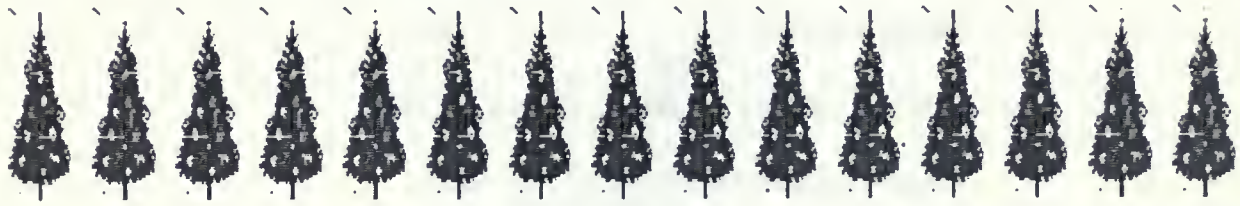
- The Department then apportions the allocated Montana value to the counties where the property is located.

- Centrally Assessed Example:

Given:	System Value	=	$1,000,000
	Montana allocation	=	25%
	Montana Allocated Value	=	$250,000
	Taxable Percentage	=	12%
	Taxable Value	=	$30,000
	Average Mill	=	250
	Taxes	=	$7,500

CLASS TEN (15-6-143, MCA) 4% of Market Value

- Timberland (adjoining land exceeding 15 acres in one ownership that is capable of producing timber in commercial quantities).



- The timber is currently appraised at the present net worth of the standing timber. Tables for the present net worth of the standing timber were developed in the early 1960's and were updated to reflect stumpage values in 1986.

- The bare land under the timber is appraised at its productive value as grazing land (Class Four).

- Given 10 acres of medium-stocked, Douglas fir saw timber

  (10 acres @ $150 per acre)
  $1,500 = Market Value

  $1,500 X 4% = $60
  Market X Taxable percentage = Taxable Value

- The market value for the bare land under the timber would be determined using grazing land values:

  (10 acres @ $3.72 per acre)
  $37 = Market Value

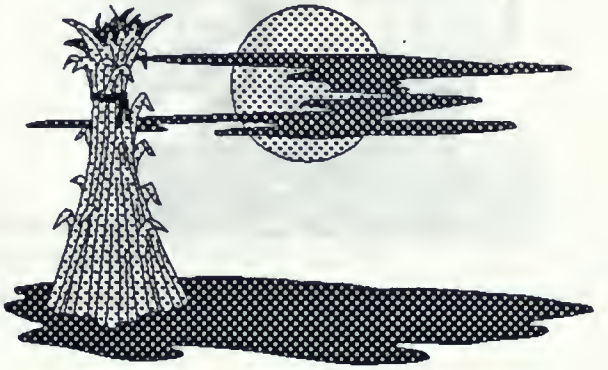
  $37 X 30% = $11
  Market X Taxable percentage = Taxable

  $71 X 250 mills = $17.75
  ($60 Timber + $11 Bare Land)
  Total Taxable X Mills = Taxes

CLASS ELEVEN (15-6-144, MCA) Taxable Percentage 3.088%
(80% of the Taxable Percentage Applicable to Class Four)

- Farmsteads includes all improvements on land that is eligible for valuation, assessment, and taxation as agricultural land. This includes one acre of real property beneath the agricultural improvements.

- The property is appraised by the local appraisal office.



CLASS TWELVE (15-6-145, MCA) Taxable Percentage "R" Determined Annually

- All railroad transportation property as described in the Railroad Revitalization and Regulatory Reform Act (4R Act).
- All airline transportation property as described in the Tax Equity and Fiscal Responsibility Act (TEFRA).

- This property is valued by Helena staff utilizing the same valuation procedures as used for Class Nine property.
- The taxable percentage is determined by finding the effective taxable percentage for all other commercial property in the state.

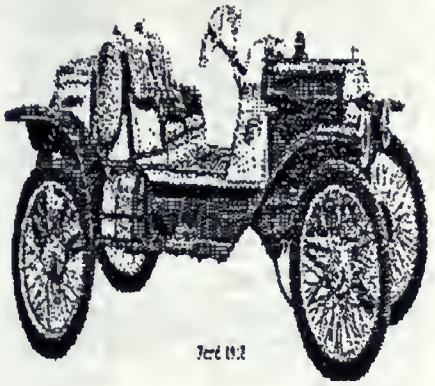
  R = A/B where

  A = total statewide taxable value of all commercial property, except class 12 property.

  B = total statewide market value of all commercial property, except Class 12 property.

- The taxable percentage "R" for 1992 was 7.53%.

OTHER TYPES OF PROPERTY



- Automobiles and trucks having a capacity of 1 ton or less are not classified in the property classes. They are valued under 61-3-503. The market value is usually determined by using the average trade in value as found in the NADA guides.

- The taxes are calculated by multiplying the market value times 2 percent. The county may also levy an additional .5 percent local option vehicle tax.

$9,600 = Market Value
NADA average trade in

$9,600 X 2% = $192
Market X percent = Tax

The following types of property are subject to a fee in lieu of property tax:

Campers
Motor homes
Boats
Airplanes (not in Class Nine)
Off road vehicles
Travel trailers

County Taxable Value by Property Class Tax Year 1992

County	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7
Beaverhead	363,421	91	2,391,015	4,806,046	258,017	1,615,499	171,326
Big Horn	0	0	3,536,581	5,286,092	324,389	1,093,250	602
Blaine	0	0	3,852,501	1,894,482	265,840	782,280	0
Broadwater	3,069,054	0	1,018,596	2,135,031	95,680	306,361	0
Carbon	74,860	0	2,218,956	7,018,660	121,572	579,764	103,930
Carter	2,542,810	0	1,721,215	260,662	82,749	677,365	0
Cascade	0	0	4,840,744	62,424,728	160,769	770,703	0
Chouteau	0	0	12,759,169	2,262,912	216,507	540,486	0
Custer	0	0	2,134,172	6,012,816	110,522	689,529	0
Daniels	0	0	2,361,082	991,824	116,326	170,914	0
Dawson	0	0	3,057,298	5,579,666	262,579	445,530	0
Deer Lodge	0	0	267,368	5,613,018	4,866	69,373	15,755
Fallon	0	0	1,287,339	1,517,529	93,885	460,352	0
Fergus	0	604,506	6,158,460	5,702,490	279,987	1,249,256	0
Flathead	0	0	1,512,925	70,344,825	1,965,981	291,766	0
Gallatin	266,480	0	2,921,762	52,612,823	225,136	715,401	0
Garfield	0	0	2,797,272	305,795	93,960	711,803	0
Glacier	0	0	3,151,194	4,446,007	610,377	257,064	10,856
Golden Valley	0	0	1,115,212	296,422	35,786	293,448	0
Granite	0	36	534,649	1,742,533	14,686	349,161	0
Hill	0	0	6,733,391	10,415,910	407,814	321,231	0
Jefferson	46,347	2,142,774	551,799	6,216,110	601,864	295,515	0
Judith Basin	0	0	3,145,215	848,832	70,349	650,246	0
Lake	0	0	1,237,910	20,028,195	140,714	563,762	386
Lewis And Clar	0	93,915	1,531,430	43,674,808	594,003	501,521	44,823
Liberty	54,014	0	3,679,839	955,710	107,765	178,630	0
Lincoln	0	1,219,995	114,490	13,098,861	555,536	93,623	0
Madison	1,983,805	0	2,089,549	7,004,076	140,844	1,040,200	0
Mccone	0	0	3,442,574	800,667	231,954	412,594	0
Meagher	0	3,340	1,386,514	973,503	10,297	573,232	0
Mineral	0	0	55,939	1,917,831	24,997	21,709	0
Missoula	998	0	471,235	81,653,932	926,378	242,241	0
Musselshell	0	0	1,522,801	2,000,062	112,316	386,470	0
Park	0	418,743	1,534,359	11,547,127	245,520	557,543	0
Petroleum	0	0	840,527	119,394	75,324	351,060	0
Phillips	0	1,513,976	3,655,125	2,352,857	228,367	921,546	0
Pondera	0	0	4,940,702	3,070,005	214,704	317,350	0
Powder River	0	0	1,798,421	644,103	217,193	840,276	0
Powell	0	0	774,947	3,012,554	132,330	529,111	0
Prairie	0	0	1,119,323	429,763	78,492	411,367	0
Ravalli	0	0	1,087,772	19,141,968	402,233	560,558	0
Richland	0	0	3,471,285	6,048,874	619,763	420,320	0
Roosevelt	0	0	3,706,762	2,973,143	189,324	233,113	0
Rosebud	0	0	2,862,866	4,879,959	13,082,316	794,794	0
Sanders	0	0	492,387	4,437,677	127,469	268,143	23,620
Sheridan	0	0	3,535,019	2,165,215	184,352	246,699	0
Silver Bow	0	3,641,464	201,260	26,052,362	79,263	77,265	16,575
Stillwater	0	1,207,481	2,424,308	4,383,116	214,216	557,053	224,915
Sweet Grass	0	0	1,362,816	2,039,133	174,986	553,369	0
Teton	0	0	5,177,081	2,958,113	339,286	607,379	0
Toole	0	0	5,114,300	2,689,031	260,036	211,553	0
Treasure	0	0	754,674	228,181	75,893	281,893	0
Valley	0	0	4,758,237	4,282,405	286,464	662,171	0
Wheatland	0	0	1,335,920	761,943	24,980	425,602	0
Wibaux	0	0	1,144,025	347,287	42,560	210,122	0
Yellowstone	0	0	3,705,748	118,012,553	713,446	759,788	185,025
Total	8,401,789	11,640,701	141,398,060	653,419,621	27,272,962	28,148,354	797,813

County Taxable Value by Property Class Tax Year 1992

County	Class 8	Class 9	Class 10	Class 11	Class 12	Total
Beaverhead	2,958,558	1,729,406	18,584	1,063,856	546,363	15,922,182
Big Horn	10,379,678	3,996,921	17,381	921,534	1,124,926	26,681,354
Blaine	2,214,246	2,792,396	0	978,127	1,113,068	13,892,940
Broadwater	1,961,020	4,283,634	11,790	600,609	744,366	14,226,141
Carbon	1,980,563	3,851,795	659	1,416,954	535,582	17,903,295
Carter	886,373	721,947	463	463,885	0	7,357,469
Cascade	8,029,039	14,676,889	13,394	2,359,193	2,571,476	95,846,935
Chouteau	4,580,497	2,332,200	1,239	2,215,868	449,619	25,358,497
Custer	1,635,789	2,574,096	0	593,286	833,901	14,584,111
Daniels	1,251,880	216,938	0	647,984	537,855	6,294,803
Dawson	2,361,613	4,055,381	0	786,693	1,708,905	18,257,665
Deer Lodge	572,157	2,037,588	16,868	121,921	50,985	8,769,899
Fallon	3,096,673	3,073,589	0	397,579	351,532	10,278,478
Fergus	4,232,672	1,919,225	45,155	1,416,062	336,154	21,943,967
Flathead	11,012,959	9,356,597	1,770,828	4,188,658	2,615,365	103,059,904
Gallatin	9,553,888	9,919,766	133,428	2,575,349	2,071,336	80,995,369
Garfield	916,870	110,834	0	456,935	0	5,393,469
Glacier	2,702,527	6,346,558	0	727,543	1,378,134	19,630,260
Golden Valley	410,077	2,163,514	5,047	354,612	479,751	5,153,869
Granite	988,806	3,113,145	117,590	274,878	520,383	7,655,867
Hill	4,403,144	3,077,922	0	1,720,628	2,861,371	29,941,411
Jefferson	7,122,671	5,423,531	25,732	441,700	474,706	23,342,749
Judith Basin	1,116,194	1,277,887	1,816	795,923	1,046,190	8,952,652
Lake	2,735,269	3,655,541	254,920	2,434,301	386,676	31,437,674
Lewis And Clar	6,079,749	13,415,999	79,614	1,181,003	1,819,517	69,016,382
Liberty	1,891,116	1,106,561	0	1,069,045	525,674	9,568,354
Lincoln	6,101,546	1,923,592	1,167,464	836,658	2,452,402	27,564,167
Madison	3,479,834	3,252,572	30,413	1,549,197	221,138	20,791,628
Mccone	1,717,856	214,359	0	866,336	115,386	7,801,726
Meagher	687,564	4,010,563	59,110	450,663	0	8,154,786
Mineral	1,091,592	3,662,208	166,796	239,777	899,451	8,080,300
Missoula	22,444,983	15,285,313	1,173,030	1,732,538	2,372,643	126,303,291
Musselshell	1,057,899	1,149,367	65,507	584,204	0	6,878,626
Park	2,771,770	4,956,664	95,651	1,504,838	684,654	24,316,869
Petroleum	349,764	28,233	0	140,484	0	1,904,786
Phillips	4,646,451	5,125,245	0	801,062	1,050,698	20,295,327
Pondera	2,848,569	1,712,230	0	1,354,558	529,919	14,988,037
Powder River	1,834,202	444,103	3,629	586,233	0	6,368,160
Powell	1,541,733	4,608,435	344,108	655,352	859,711	12,458,281
Prairie	759,041	436,548	0	325,808	797,800	4,358,142
Ravalli	2,906,471	3,427,404	262,130	4,066,249	188,927	32,043,712
Richland	6,552,761	3,133,664	0	1,098,897	400,194	21,745,758
Roosevelt	3,166,542	11,427,703	0	1,001,248	2,103,359	24,801,194
Rosebud	8,444,699	150,900,839	10,374	617,575	1,261,271	182,854,693
Sanders	1,223,982	14,170,136	644,526	1,117,703	2,376,520	24,882,163
Sheridan	3,681,577	593,186	0	1,018,177	593,829	12,018,054
Silver Bow	8,811,223	10,429,538	17,011	280,258	727,354	50,333,573
Stillwater	3,671,689	5,259,028	452	1,144,498	666,913	19,753,669
Sweet Grass	835,925	1,693,167	6,634	961,806	660,216	8,288,052
Teton	2,764,598	1,173,686	0	1,667,284	739,932	15,427,359
Toole	3,706,632	3,014,291	0	1,264,002	1,423,871	17,683,716
Treasure	519,111	1,996,398	290	212,519	914,931	4,983,890
Valley	2,726,635	10,167,611	0	1,165,985	1,687,676	25,737,184
Wheatland	695,555	3,767,980	1,249	417,994	349,635	7,780,858
Wibaux	1,085,723	688,281	0	266,415	288,853	4,073,266
Yellowstone	34,555,460	33,241,449	6,565	2,126,420	5,179,572	198,486,026
Total	230,961,035	409,123,653	6,569,447	60,258,864	54,630,690	1,632,622,989

PROPERTY TAX EXEMPTIONS

Type of Exemption	Test to Qualify
Government (Federal, State, County, City, School District, Etc.)	Ownership
Religious	Ownership & Use
Agricultural & Horticultural	Exclusive Use
Educational	Exclusive Use
Nonprofit Health Care Facilities	Exclusive Use
Cemeteries	Ownership, Use, & Nonprofit
Institutions of Purely Public Charity	Ownership & Use
Public Museums	Nonprofit & Use
Art Galleries	Nonprofit & Use
Zoos	Nonprofit & Use
Observatories	Nonprofit & Use
Household Goods & Furniture	Ownership & Use

Truck Canopy Cover or Topper	Less Than 300 Lbs
Bicycle	Use & Ownership
Corporation Organized to Furnish Potable Water to Its Members for Uses Other Than the Irrigation of Agricultural Land	Nonprofit & Ownership
Right of Entry	None
Corporations Providing Care for the Developmentally Disabled, Mentally Ill, or Vocationally Handicapped	Ownership, Use, & Nonprofit
Corporations Operating Facilities for the Care of the Retired, Aged, or Chronically Ill	Ownership, Use, & Nonprofit
Farm Buildings	Value Less Than $500
Agricultural Implements	Value Less Than $100
Facilities Used for Training & Practice for/or Competition in International Sports & Athletic Events	Nonprofit, Use, & Ownership

Hand Held Tools	Use & Exempt First $15,000 Market Value
Harness, Saddlery, & Tack	None
A Title Plant	Ownership
Nonfossil Energy Generation or Low Emission Wood or Biomass Combustion Devices	Recog. Form, Exempt for 10 Years Following Installation, $20,000 Exempt for Single Fam. Resid., $100,000 Exempt for Multifam. Resid.
Veteran's Clubhouses	Nonprofit, Use, & Ownership
Freeport Merchandise & Business Inventories	Use
State Water Conservation Projects	Ownership & Use
Irrigation & Drainage Facilities	Use
Unprocessed Agricultural Products	Ownership & Use
Beet Implements	Use
Community Services Buildings	Nonprofit, Use, Ownership, & Land Cannot Exceed 1 Ac.

Disabled or Deceased Veteran's Residences	Ownership, Use, & Income Limits
Down-hole Equipment in Oil & Gas Wells	None
Motion Picture & Television Commercial Property	Use & Can't be in State for more than 180 Days

FOREST TAXATION IN MONTANA

SUMMARY

* Timberland owners pay an annual property tax on the value of their standing timber and on the agricultural value of their land. As the timber matures, the assessed value increases.

* Montana is the only state in the Northwest that currently taxes standing timber.

* The criteria for classifying property as timberland are:

    1. At least 15 acres of contiguous timberland.

    2. The land is capable of producing timber that can be harvested in commercial quantity.

* Approximately 3.55 million privately owned acres are appraised as commercial timberland in Montana.

* The taxable value of timber and timberlands is 4.00 percent of assessed value. The rate for agricultural land is 30 percent.

* In 1992, the tax on timber and timberlands was approximately $2 million.

* The department lacked the resources to keep the valuation of standing timber current. The department depended on the owners to provide updated information on their harvests, stocking levels, tree sizes, etc.

* The 1991 Legislature enacted law taxing timberlands of at least 5 acres on their productive capacity. This is the same method used to value agricultural lands.

* A tax based on productivity is an effective and uniform method of valuing timberlands and is easily administered.

* The department is working with the University of Montana, School of Forestry on the development of timber productivity maps and valuation schedules.

* The new timber productivity system and values will be implemented for the 1994 tax year.

AGRICULTURAL LAND TAXATION IN MONTANA

SUMMARY

* Approximately 51½ million privately owned acres are classified as agricultural land in Montana.

* In 1992, the tax on agricultural land was over $ 40.5 million.

* Agricultural land taxation consists of 2 parts:
    1. Classification -
       The determination of production or yield for each acre of taxable agricultural land.
    2. Valuation -
       The determination of agricultural land valuation schedules. The application of those valuation schedules to each acre of taxable agricultural land.

* The criteria for classifying property as agricultural are:
    1. Parcels of land 20 acres or more under one ownership are taxed as agricultural land.
    2. Parcels of land less than 20 acres under one ownership are taxed as agricultural land if they produce $1,500 in annual gross income from the raising of livestock, poultry, field crops, fruit, and other animal vegetable matter for food or fiber.
    3. Land is not valued as agricultural if it is subdivided with stated restrictions prohibiting its use for agricultural purposes.

* The formula for valuation of agricultural land is: $V = I / R$
  V is the value of each type of agricultural land,
  I is the net income of each type of agricultural land,
  R is the capitalization rate. That rate converts the net income estimate into an estimate of productive value.

* Issues of Concern:
    1. Proposed agricultural land valuation schedules
       Options - Make no changes to current law
       - Freeze existing schedules
       - Adopt new valuation schedules
       (i) Water Costs

AGRICULTURAL CLASSIFICATION OF LAND

Grazing Land:

Those lands, either native range or domestic range, which are used to support agricultural livestock. Grazing land is graded on the basis of the soils capacity to produce palatable forage for livestock without causing injurious effect to the vegetative cover of the land. Carrying capacity is measured in Animal Unit Months per acre (AUM/AC) or acres per Animal Unit Month (AC/AUM).

Grazing land which is irrigated will be classified as irrigated land.

Dryland alfalfa which is not hayed a majority of the time is classified as grazing.

Lands which are hayed occasionally or in years with above average precipitation are classified as grazing land.

Tillable Irrigated Land:

All hayland and cropland that is irrigated a majority of the time (2 out of 3 years, 3 out of 5 years, etc.). All agricultural land, including grazing land, in a specified irrigation district where the land is designated as irrigable, with shares of water appurtenant to such land, shall be classified as irrigated, regardless of whether the water is actually applied or not applied to the land.

Land that has water for irrigation most years shall be classified as irrigated if the water is used. Those lands with water available most years but the water is not used, will be classified according to current use.

Land that is irrigated only during high water may be classified according to use, but it should carry a higher grade to reflect the occasional extra water and increased production.

Irrigated alfalfa which is hayed a majority of the time is classified as irrigated.

Irrigated schedules are based on tons of alfalfa per acre. Alfalfa is the predominant crop grown on irrigated fields. Adjustments can be made for other cash crops using a conversion guide.

There are three rotations, each indicative of the cash value achieved from the production of generally-accepted irrigated crops grown in a particular area. As shown below, these rotations are generally differentiated by the variety of crops which can be grown in a particular area (i.e., the options a grower has in rotating various crops on his/her irrigated cropland acreage). The number of frost-free days may influence the extent of options available. However, available cropping options are not limited

exclusively by frost-free days.

Minimum Rotation: 90 or less frost-free days. Production from this land would be limited to alfalfa hay and small grains. Growers would not have the option to profitably produce any other crops over a sustained period of years.

Medium Rotation: 91 to 110 frost-free days. Lands are placed in this rotation when the grower has the option of producing a greater variety of crops than listed in the minimum rotation. Growers should be able to produce alfalfa hay, alfalfa seed, small grains, edible beans, sunflowers, safflowers, and potatoes.

Maximum Rotation: 110 or more frost-free days. These lands are capable of producing any crop which can typically be grown in Montana. Examples are all crops grown in minimum and medium rotations and, also, corn for silage, corn for grain, and sugar beets.

Climatological data should be utilized to assist appraisers in placing irrigated land into the proper rotation.

Continuously cropped Non-Irrigated Hayland:

Lands on which the native vegetation, non-irrigated alfalfa or other domestic varieties are cut for hay yearly or a majority of the time over a period of years.

Hayland which is irrigated only occasionally or intermittently is classified as continuously cropped non-irrigated hayland. It should carry a higher grade to reflect the occasional irrigation.

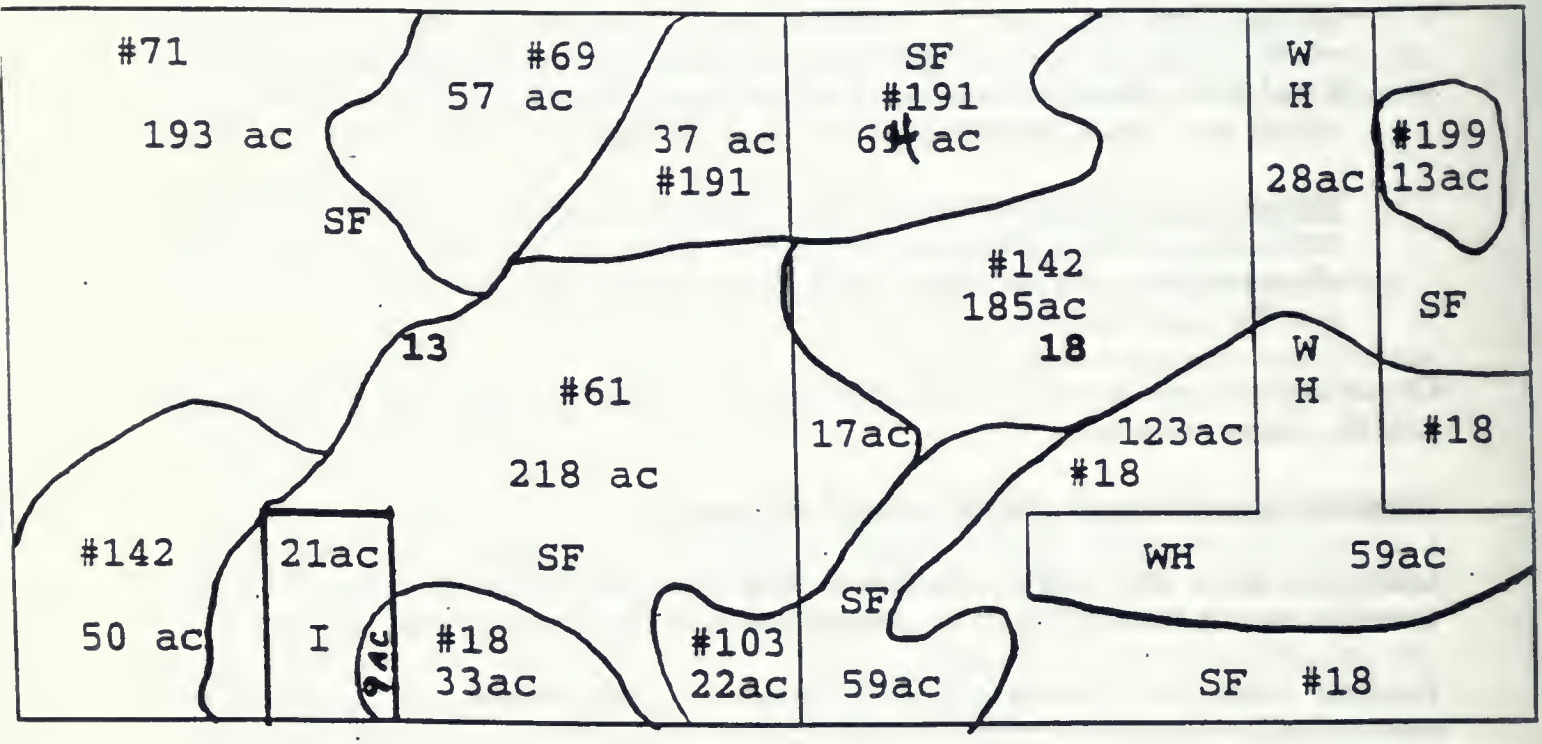
Non-Irrigated Farmland: Summer Fallow and Continuously Cropped

Typical dryland farming found in the majority of Montana. Strip farming or block farming are the most common form of non-irrigated farmland.

Summer fallow: Typically, crops are produced every other year or every third year and the land is left idle in the off years.

Continuously cropped lands are found primarily in Northwestern Montana. Normally, crops are grown 3 out of 4 years and it must be an accepted practice for the area.

Grading is based on bushels of wheat per acre. Conversions are made for barley production.



Section 13 640 acres **Section 18 548 acres**

Symbol	Classification	Yield	Acres	Current Assessed Value Per Acre
F1A8	Summerfallow	40+ bu.	57	$81.08
F1A7	Summerfallow	38-39 bu.	193	74.51
F1A1	Summerfallow	26-27 bu.	235	37.31
F1A	Summerfallow	24-25 bu.	338	32.22
F3A	Summerfallow	14-15 bu.	235	12.31
F4B	Summerfallow	8-9 bu.	13	4.81
WH5	Dryland Hay	1-1.4 T.	28	19.38
WH6	Dryland Hay	.5 -.9 T.	59	10.05
I4	Irrigated	2.5-2.9 T.	21	21.65
I5	Irrigated	2.0-2.4 T.	9	15.81
	Total Acres		1188	

F1A1
F1B
F1A1
WHS
F1A
F1A1
18
F1A
F1A8
F1A
F1A7
13
F1A
WHL
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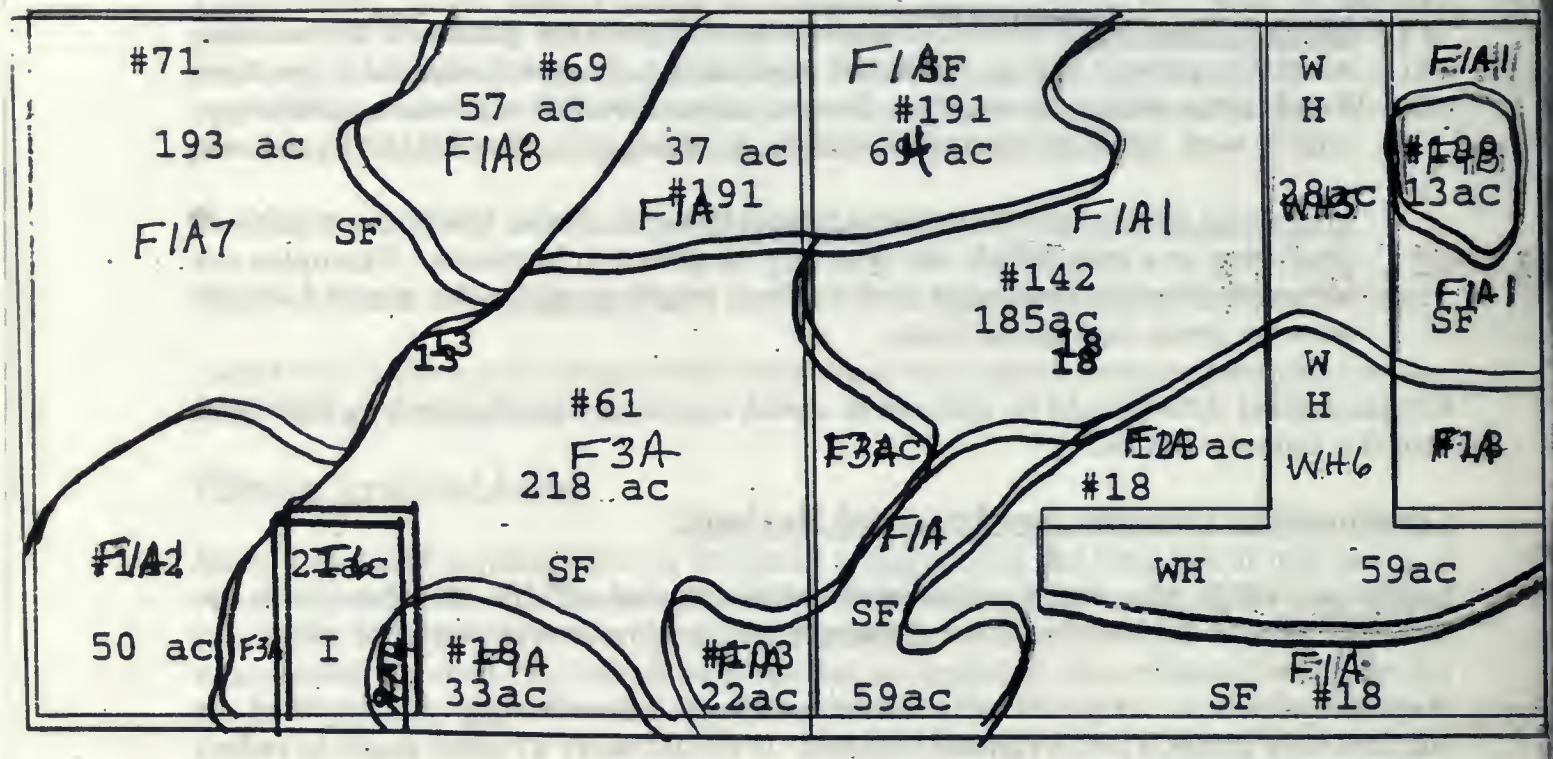

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F1A	Summerfallow	24-25 bu.	338	32.22
F3A	Summerfallow	14-15 bu.	235	12.31
F4B	Summerfallow	8-9 bu.	13	4.81
WH5	Dryland Hay	1-1.4 T.	28	19.38
WH6	Dryland Hay	.5 -.9 T.	59	10.05
I4	Irrigated	2.5-2.9 T.	21	21.65
I5	Irrigated	2.0-2.4 T.	9	15.81
	Total Acres		1188	

CLASSES, GRADES, AND VALUES FOR MONTANA AGRICULTURAL LANDS AS APPROVED BY THE STATE DEPARTMENT OF REVENUE

NON-IRRIGATED FARM LAND (F)

Grade	Bu. Wheat Per Acre On Summer Fallow	Assessed Value Per Acre
1A8	40 & over	81.08
1A7	38 - 39	74.51
1A6	36 - 37	67.94
1A5	34 - 35	61.37
1A4	32 - 33	54.80
1A3	30 - 31	48.60
1A2	28 - 29	42.79
1A1	26 - 27	37.31
1A	24 - 25	32.22
1B	22 - 23	27.50
2A	20 - 21	23.15
2B	18 - 19	19.17
2C	16 - 17	15.56
3A	14 - 15	12.31
3B	12 - 13	9.44
4A	10 - 11	6.94
4B	8 - 9	4.81
5	Under 8	3.06

CONTINUOUSLY CROPPED HAY LAND (WH)

Grade	Tons of Hay Per Acre	Assessed Value Per Acre
1	3.0 & over	67.60
2	2.5 - 2.9	53.03
3	2.0 - 2.4	41.38
4	1.5 - 1.9	29.43
5	1.0 - 1.4	19.38
6	.5 - .9	10.05
7	Less than .5	5.54

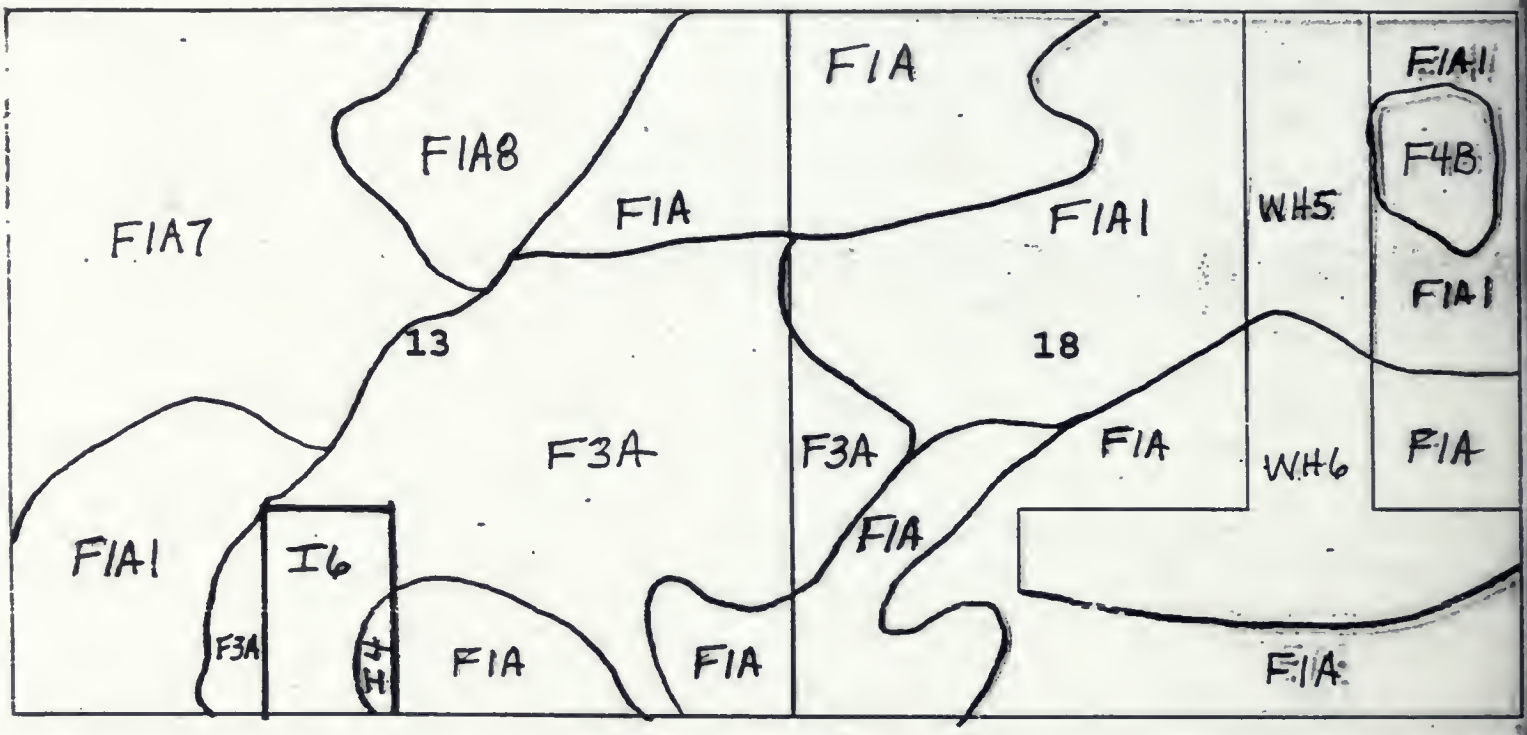
GRAZING LAND (G)

Grade	Acres Per 1000# Steer 10 Mos.	Assessed Value Per Acre
1A2	Under 3	71.69
1A1	3 - 5	44.18
1A+	5.1 - 5.9	31.27
1A	6 - 10	20.51
1B	11 - 18	10.53
2A	19 - 21	7.17
2B	22 - 27	5.42
3	28 - 37	3.72
4	38 - 55	2.52
5	56 - 99	1.47
6	100 or over	.82

NON-IRRIGATED CONTINUOUSLY CROPPED FARM LAND (CC)

Grade	Bu. of Wheat Per Acre Each Year	Assessed Value Per Acre
1A4	44 & over	125.71
1A3	42 - 43	116.94
1A2	40 - 41	108.17
1A1	38 - 39	99.40
1A	36 - 37	90.63
1	34 - 35	81.86
2	32 - 33	73.09
3	30 - 31	64.81
4	28 - 29	57.05
5	26 - 27	49.75
6	24 - 25	42.96
7	22 - 23	36.67
8	20 - 21	30.87
9	18 - 19	25.56
10	16 - 17	20.75
11	14 - 15	16.41
12	12 - 13	12.59
13	10 - 11	9.25
14	Less than 10	6.41

Form AB-16
(Rev. 1/1986)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CLASSES, GRADES, AND VALUES FOR MONTANA AGRICULTURAL LANDS AS APPROVED BY THE STATE DEPARTMENT OF REVENUE

NON-IRRIGATED FARM LAND (F)

Grade	Bu. Wheat Per Acre On Summer Fallow	Assessed Value Per Acre
1A8	40 & over	81.08
1A7	38 - 39	74.51
1A6	36 - 37	67.94
1A5	34 - 35	61.37
1A4	32 - 33	54.80
1A3	30 - 31	48.60
1A2	28 - 29	42.79
1A1	26 - 27	37.31
1A	24 - 25	32.22
1B	22 - 23	27.50
2A	20 - 21	23.15
2B	18 - 19	19.17
2C	16 - 17	15.56
3A	14 - 15	12.31
3B	12 - 13	9.44
4A	10 - 11	6.94
4B	8 - 9	4.81
5	Under 8	3.06

CONTINUOUSLY CROPPED HAY LAND (WH)

Grade	Tons of Hay Per Acre	Assessed Value Per Acre
1	3.0 & over	67.60
2	2.5 - 2.9	53.03
3	2.0 - 2.4	41.38
4	1.5 - 1.9	29.43
5	1.0 - 1.4	19.38
6	.5 - .9	10.05
7	Less than .5	5.54

GRAZING LAND (G)

Grade	Acres Per 1000# Steer 10 Mos.	Assessed Value Per Acre
1A2	Under 3	71.69
1A1	3 - 5	44.18
1A+	5.1 - 5.9	31.27
1A	6 - 10	20.51
1B	11 - 18	10.53
2A	19 - 21	7.17
2B	22 - 27	5.42
3	28 - 37	3.72
4	38 - 55	2.52
5	56 - 99	1.47
6	100 or over	.82

NON-IRRIGATED CONTINUOUSLY CROPPED FARM LAND (CC)

Grade	Bu. of Wheat Per Acre Each Year	Assessed Value Per Acre
1A4	44 & over	125.71
1A3	42 - 43	116.94
1A2	40 - 41	108.17
1A1	38 - 39	99.40
1A	36 - 37	90.63
1	34 - 35	81.86
2	32 - 33	73.09
3	30 - 31	64.81
4	28 - 29	57.05
5	26 - 27	49.75
6	24 - 25	42.96
7	22 - 23	36.67
8	20 - 21	30.87
9	18 - 19	25.56
10	16 - 17	20.75
11	14 - 15	16.41
12	12 - 13	12.59
13	10 - 11	9.25
14	Less than 10	6.41

Form AB-16
(Rev. 1/1986)

TILLABLE IRRIGATED LANDS (I)

CLASS 1 (Maximum Rotation) Assessed Value Per Acre by Water Cost Classes

Grade	Tons Alfalfa Per Acre	Under $1.50	$1.50 2.49	$2.50 3.49	$3.50 4.49	$4.50 5.49	$5.50 6.49	$6.50 7.49	$7.50 & Over
1A	4.5+	110.40	103.74	97.07	90.40	83.74	77.07	70.40	63.74
1B	4.0-4.4	94.70	88.98	83.26	77.55	71.83	66.11	60.39	54.68
2	3.5-3.9	78.70	73.96	69.20	64.45	59.70	54.94	50.19	45.44
3	3.0-3.4	63.70	59.85	56.00	52.16	48.31	44.47	40.62	36.78
4	2.5-2.9	48.53	45.60	42.67	39.74	36.81	33.88	30.95	28.02
5	2.0-2.4	31.92	30.00	28.07	26.14	24.21	22.29	20.36	18.43
6	1.5-1.9	19.86	18.67	17.47	16.27	15.07	13.87	12.67	11.47
7	1.0-1.4	11.37	10.69	10.00	9.31	8.63	7.94	7.25	6.57
8	-1.0	4.55	4.28	4.00	3.72	3.45	3.18	3.06	3.06

CLASS 2 (Medium Rotation) Assessed Value Per Acre by Water Cost Classes

Grade	Tons Alfalfa Per Acre	Under $1.50	$1.50 2.49	$2.50 3.49	$3.50 4.49	$4.50 5.49	$5.50 6.49	$6.50 7.49	$7.50 & Over
1A	4.5+	97.26	90.60	83.93	77.27	70.60	63.94	57.27	50.60
1B	4.0-4.4	81.72	76.12	70.52	64.92	59.32	53.72	48.12	42.52
2	3.5-3.9	67.27	62.66	58.05	53.44	48.83	44.22	39.61	35.00
3	3.0-3.4	53.90	50.21	46.51	42.82	39.12	35.43	31.73	28.04
4	2.5-2.9	41.60	38.76	35.90	33.05	30.20	27.35	24 49	21.65
5	2.0-2.4	30.39	28.31	26.22	24.14	22.06	19.98	17.89	15.81
6	1.5-1.9	19.86	18.67	17.47	16.27	15.07	13 87	12.67	11.47
7	1.0-1.4	11.37	10.69	10.00	9.31	8.63	7.94	7.25	6.57
8	-1.0	4.55	4.28	4.00	3.72	3.45	3.18	3.06	3.06

CLASS 3 (Minimum Rotation) Assessed Value Per Acre by Water Cost Classes

Grade	Tons Alfalfa Per Acre	Under $1.50	$1.50 2.49	$2.50 3.49	$3.50 4.49	$4.50 5.49	$5.50 6.49	$6.50 7.49	$7.50 & Over
1A	4.5+	86.26	79.60	72.93	66.27	59.60	52.94	46.27	39.60
1B	4.0-4.4	73.84	68.14	62.43	56.72	51.02	45.31	39.60	33.90
2	3.5-3.9	62.01	57.22	52.43	47.64	42.84	38.05	33.26	28.47
3	3.0-3.4	50.79	46.86	42.94	39.02	35.09	31.16	27.24	23.32
4	2.5-2.9	40.15	37.05	33.95	30.85	27.74	24.64	21.54	18.43
5	2.0-2.4	30.11	27.78	25.46	23.13	20.80	18.48	16.15	13.82
6	1.5-1.9	19.86	18.67	17.47	16.27	15.07	13.87	12.67	11.47
7	1.0-1.4	11.37	10.69	10.00	9.31	8.63	7.94	7.25	6.57
8	-1.0	4.55	4.28	4.00	3.72	3.45	3.18	3.06	3.06

State Publishing Co. Helena, Mont.

HISTORY

As of July 1, 1973, the Department of Revenue was delegated the responsibility for classifying all agriculture lands. Previously, that was the duty of the county commissioners under Chapter 191, Laws of 1957. As with the previous law, the values determined by the Department were to be based on the productive capacity of the land, i.e., the ability of the land to produce income from a cash crop (wheat, hay, forage for grazing, etc.).

The current ag land valuation schedules were developed in the early 1960's. The values are based on a capitalization of net operating income (gross income less operating expenses). The current figures came from the USDA Reporting Service, the Montana Department of Agriculture Statistics, the ASCS, SCS, BIA, BLM and other government agencies.

The Department updated and revised the agricultural land valuation schedules for the reappraisal cycle which concluded on December 31, 1985. Again, the primary source of the data was the various government agencies. A concerted effort was made to include individual operators and ag related associations to help refine the figures.

After developing the new valuation schedules, public comment was solicited through the administrative rules process. The new schedules would have increased the valuation of some types of agricultural land. Agriculturalists expressed their lack of support for the new valuation schedules. As a result, former Governor Ted Schwinden suspended the rules hearing process. He directed the Department to assemble an advisory committee to review the data and procedures and make changes if necessary.

The committee had difficulty arriving at a consensus on the agricultural land valuation schedules. The 1985 Legislature froze the agricultural land valuation schedules that were in effect, specified the approach for developing future ag land valuation schedules and required the formation of an agricultural advisory committee.

In September, 1990 the Department of Revenue Agricultural Advisory Committee was appointed. During the past 27 months, the committee has reviewed, evaluated and recommended changes to the taxation of agricultural land. It has presented its recommendations at public meetings held throughout the state. Their recommendations are included for your review.

VALUATION OF AGRICULTURAL LAND

Statutory formula for determining productive capacity value:

V = Value of the Land

I = Income Produced by the Land

R = The Rate Used to Capitalize the Income Produced by the Land

The formulas reads: $V = \frac{I}{R}$

Example of Calculation:

Income Per Acre = $50

Capitalization Rate = 6.4%

Value = $781.25 Per Acre

V = $50 ÷ 6.4% = $781.25/Acre

As the Capitalization Rate is decreased, the Value increases.

AGRICULTURAL LAND VALUATION
Revenue Oversight Committee Meeting
September 25, 1992

The Department of Revenue's Agricultural Advisory Committee has held meetings throughout the state. The meetings were conducted to explain the Committee's report on agricultural land valuation and to accept information and input from taxpayers and agricultural groups. After reviewing the comments from taxpayers and all of the agricultural associations and groups, the Committee adopted a final report and formally presented it to the Department. The final alterations to the report include a yield conversion for irrigated grazing land and a valuation phase-in to acknowledge the significant valuation changes that will occur with certain types of agricultural land. In the report, the committee encourages further study of water costs. The committee believes that, to the best of its ability, it has addressed the issue of water costs but that issue continues to be an area of concern for taxpayers in certain areas of the state.

As a follow-up to the first presentation before the Revenue Oversight Committee, the Department is again providing valuation impact information for each land type. The impact information contained in "Table A. Comparison of Current, Mandated and Recommended Schedules - Phase In" acknowledges all changes adopted by the Agricultural Advisory Committee in their final report. It also identifies the percentage each land type is of the total agricultural land acreage. For example, grazing land acreage comprises 71% of all the agricultural land in Montana, tillable irrigated comprises 3%, and continuously cropped hay land comprises 2%.

Also included is a handout that addresses the impact the proposed valuation schedules would have on each county.

TABLE A. COMPARISON OF CURRENT, MANDATED, AND RECOMMENDED SCHEDULES -- PHASE IN

Class	Description	Percent of Total Ag Land Acreage	Taxable Value per Acre (Taxable value is a percent of Assessed value) Current (30.00%)	Mandated (30.00%)	Recommended (3.86%)	Relative Change in Taxable Value per Acre Current to Mandated	Current to Recommended
1-3	Tillable Irrigated	3%	$ 9.11	$ 42.60	$ 11.25	368%	23.5%
4	Non-irrigated Farmland	24%	$ 6.83	$ 21.11	$ 6.33	209%	-7.4%
5	Grazing Land	71%	$ 1.06	$ 4.20	$ 1.11	296%	4.9%
6	Continuously Cropped Hay Land	2%	$ 5.22	$ 29.72	$ 7.08	469%	35.7%
7	Non-irrigated Continuously Cropped Farmland	Less than 1%	$ 16.67	$ 58.49	$ 16.41	251%	-1.6%
	Statewide	100%	$ 2.79	$ 10.01	$ 2.81	258%	0.7%

Montana Department of Revenue

Impact of Proposed Agricultural Land Schedules -- PHASE IN
Current vs. Recommended
Irrigated and Non-Irrigated

County	Mills	Current Taxable Value	Current Est. Taxes	Recomm. Taxable Value	Recomm. Est. Taxes	Percent Diff.
Beaverhead	318.99	$2,330,217	$743,319	$2,708,231	$863,901	16.2%
Big Horn	211.29	$3,441,632	$727,199	3,541,764	$748,357	2.9%
Blaine	265.80	$3,889,266	$1,033,762	4,057,871	$1,078,577	4.3%
Broadwater	239.01	$1,027,449	$245,570	1,089,951	$260,508	6.1%
Carbon	303.71	$2,154,795	$654,443	2,237,255	$679,487	3.8%
Carter	279.03	$1,714,560	$478,411	1,883,117	$525,443	9.8%
Cascade	365.25	$4,937,046	$1,803,254	4,733,926	$1,729,065	-4.1%
Chouteau	315.64	$12,785,972	$4,035,703	11,223,575	$3,542,555	-12.2%
Custer	392.76	$2,126,631	$835,263	2,355,802	$925,273	10.8%
Daniels	362.59	$2,373,771	$860,716	2,408,021	$873,135	1.4%
Dawson	352.63	$3,040,230	$1,072,082	3,204,413	$1,129,978	5.4%
Deer Lodge	449.42	$231,178	$103,897	278,995	$125,386	20.7%
Fallon	177.81	$1,285,985	$228,657	1,387,081	$246,632	7.9%
Fergus	331.84	$6,002,715	$1,991,948	5,819,662	$1,931,203	-3.0%
Flathead	354.08	$1,517,960	$537,480	1,603,835	$567,887	5.7%
Gallatin	318.57	$2,783,397	$886,696	2,806,076	$893,920	0.8%
Garfield	277.41	$2,800,632	$776,912	3,018,492	$837,348	7.8%
Glacier	241.97	$3,265,126	$790,050	3,005,304	$727,181	-8.0%
Golden Valley	248.60	$1,122,288	$278,998	1,168,022	$290,368	4.1%
Granite	299.79	$506,173	$151,748	565,194	$169,442	11.7%
Hill	273.17	$6,830,214	$1,865,800	6,682,351	$1,825,408	-2.2%
Jefferson	273.20	$549,496	$150,122	614,878	$167,985	11.9%
Judith Basin	289.16	$3,177,281	$918,728	3,106,967	$898,397	-2.2%
Lake	288.39	$1,267,532	$365,544	1,525,249	$439,867	20.3%
Lewis And Clark	349.13	$1,568,243	$547,517	1,626,794	$567,958	3.7%
Liberty	289.08	$3,662,622	$1,058,777	3,535,716	$1,022,092	-3.5%
Lincoln	282.50	$112,666	$31,828	130,535	$36,875	15.9%
Madison	244.95	$2,081,935	$509,968	2,201,745	$539,316	5.8%
McCone	313.36	$3,452,851	$1,081,991	3,508,512	$1,099,433	1.6%
Meagher	242.17	$1,382,720	$334,849	1,481,667	$358,810	7.2%
Mineral	347.86	$63,507	$22,092	69,516	$24,182	9.5%
Missoula	380.49	$457,022	$173,890	507,354	$193,041	11.0%
Musselshell	228.85	$1,528,630	$349,823	1,575,752	$360,606	3.1%
Park	272.59	$1,469,303	$400,520	1,469,834	$400,664	0.0%
Petroleum	304.96	$834,373	$254,450	899,119	$274,195	7.8%
Phillips	214.33	$3,577,845	$766,831	3,670,136	$786,612	2.6%
Pondera	301.10	$4,946,152	$1,489,265	4,603,312	$1,386,037	-6.9%
Powder River	323.14	$1,793,774	$579,635	1,893,608	$611,895	5.6%
Powell	326.35	$793,096	$258,827	941,168	$307,150	18.7%
Prairie	269.96	$1,119,949	$302,341	1,228,517	$331,650	9.7%
Ravalli	301.16	$1,074,381	$323,562	1,164,928	$350,831	8.4%
Richland	233.33	$3,465,230	$808,552	3,697,048	$862,643	6.7%
Roosevelt	239.00	$3,789,980	$905,801	3,752,491	$896,842	-1.0%
Rosebud	137.24	$2,834,829	$389,043	3,044,785	$417,857	7.4%
Sanders	261.14	$356,135	$93,000	411,109	$107,356	15.4%
Sheridan	232.97	$3,539,815	$824,679	3,521,735	$820,467	-0.5%
Silver Bow	418.60	$193,162	$80,857	213,722	$89,464	10.6%
Stillwater	259.77	$2,414,761	$627,291	2,396,851	$622,638	-0.7%
Sweet Grass	300.55	$1,335,250	$401,309	1,387,870	$417,124	3.9%
Teton	310.78	$5,194,637	$1,614,364	4,989,285	$1,550,546	-4.0%
Toole	241.44	$5,107,754	$1,233,240	4,809,669	$1,161,269	-5.8%
Treasure	267.57	$754,598	$201,908	868,702	$232,439	15.1%
Valley	319.46	$4,797,035	$1,532,441	4,843,682	$1,547,343	1.0%
Wheatland	285.10	$1,319,804	$376,277	1,387,115	$395,467	5.1%
Wibaux	202.40	$1,132,251	$229,168	1,148,056	$232,367	1.4%
Yellowstone	306.00	$3,688,984	$1,128,830	3,806,317	$1,164,734	3.2%
Statewide		**$141,004,840**	**$40,469,228**	**$141,812,670**	**$40,647,206**	**0.4%**

NOTE: Estimated taxes are calculated using average state, county and school mill levies.

COMPUTER ASSISTED MASS APPRAISAL

What is CAMAS?

CAMAS stands for Computer Assisted Mass Appraisal System. The CAMA System is a set of computer programs and user procedures that help create and maintain a database of property information for each county in the state. The database holds the records of property characteristics that affect the tax evaluation of each parcel in the state.

How Does CAMAS Work?

The CAMA System is designed to build and maintain consistent and accurate computerized files of property data (land and improvement) for residential, agricultural, commercial, and industrial properties. It uses these files to produce computer-assisted cost and market valuations of the residential and agricultural properties, and cost and income valuations of the commercial and industrial properties. It maintains property administration data in a separate subsystem from the property data.

Approaches to Value Using CAMAS

The CAMA system provides the department with the ability to utilize all three approaches to value. (These approaches include COST, MARKET and INCOME.)

Market Modeling

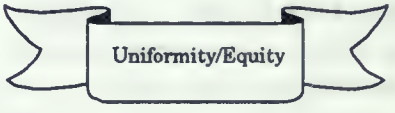
Market modeling gives appraisers the capability to value property using the comparable sales approach to establish market value. When a sufficient number of sales are available, market models can be developed. The models are then applied, in conjunction with a comparable sales analysis, to provide an estimate of the market value of each property. In making this analysis, individual properties are valued using three to five comparable sales. The comparables are adjusted to the subject for differences such as square foot of living area, location, year built, date of sale, quality grade, etc. The adjustments for each comparable are then applied to their sale price. The result is an estimate of value for the subject property, based on the adjusted sales of the comparable properties.

Income Modeling:

Income modeling gives the appraiser the ability to value income producing properties using the income approach to value. In applying the income approach to value, the appraiser must determine market rents, expenses and appropriate capitalization rates.

When income modeling the appraiser develops a basic set of income and expense models based on market data. Through use of a capitalization rate, income is capitalized into an estimate of value. The models created reflect current economic trends in specific valuation areas. The value indications produced by the income approach and the cost approach are compared. A final value for the property is then determined.

Objective of CAMAS



The primary objective of CAMAS is to assist the Department in determining uniform, accurate, equitable and defensible valuations of all types and classes of real property statewide. In order to do so, the data base itself must be uniform and accurate. A sound data base will enable the Department to produce accurate, detailed reports and statistical information pertaining to the valuation of over 686,000 residential, commercial and agricultural properties statewide.

Success of CAMAS

The implementation of CAMA system has enabled the department to transfer necessary data such as owners names, addresses, legal descriptions, property class codes and values by electronic transfer to automated counties for tax assessment and billing systems resident on their county computer systems. This has enabled the department to reduce repetitious data entry that occurred prior to the implementation of CAMAS.

CAMAS has allowed the department to complete this reappraisal cycle with fewer employees than any previous cycle. In the last year of the department's 1978 reappraisal cycle, the Property Assessment Division employed 784 FTE. During the last year of the 1986 reappraisal cycle, the division employed 465 FTE. The division was authorized 397 FTE to complete the current reappraisal cycle. As promised, this reappraisal is being completed with less FTE than any previous reappraisal cycle.

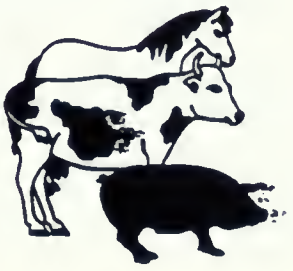
Benefits of CAMAS

The CAMA system allows appraisal staff to maintain both multi-year and multi-cycle appraisal information. It maintains previous, current and future year information for the current appraisal cycle as well as future reappraisal information. It is these features that make CAMAS an intricate but complex system.

CAMAS allows the Department to utilize all three approaches (cost, market and income) in the valuation of over 686,000 residential, commercial and agricultural properties statewide. This should help reduce the large number of appeals that have been inherent with the completion of previous reappraisal cycles.

CAMAS provides the State of Montana the opportunity to complete reappraisal cycles on a much more frequent basis than ever before. The legislature was confident enough in the department's new CAMA system to decrease appraisal cycles from 5 years to 3 years.

BUSINESS EQUIPMENT VALUATION SYSTEM



Business Equipment Valuation System

What is BEVS?

The Business Equipment Valuation System (BEVS) is a computer assisted valuation system that will assist assessment staff in the valuation and assessment of business equipment and livestock. The system generates market values for equipment and livestock identified in the system based on characteristic data such as quantity, make, model, year acquired, acquired cost etc.. The value of each piece of equipment and/or livestock identified for a specific business owner is recapped by class code to produce a valuation roll-up for that property.

Two years of personal property information (current/previous) can be maintained by the system. The current year's information is stored in a "working file" where changes are made and reports generated. The previous year's information is used for viewing only.

Benefits

Through automation county assessors and their staff will have the ability to generate turn-around documents (reporting forms) to send to property owners for review and verification of business equipment and livestock they have previously reported and are being assessed for. This will mean a substantial savings in time to property owners with large amounts of business equipment and/or livestock to report.

This system provides county assessors and assessment staff the ability to list and value business equipment and livestock reported to the Department by property owners more accurately, uniformly and quicker than ever before. BEVS will enable staff to produce statistical reports by specific property types. These reports can then be used to identify discrepancies in valuation between similar businesses.

Automation of business equipment and livestock valuation will greatly enhance efficiency and allow assessment staff the opportunity to concentrate their efforts on other responsibilities such as on-site field inspections of farms and businesses to ensure a greater degree of accuracy and equity in the valuation and assessment of these properties.

PROPERTY REPORTING FORM

SILVER BOW COUNTY

Business Name: XYZ ENTERPRISES
Mail to Name: JOHN SMITH
Legal Owner: JOHN & JANE SMITH
Mailing Address: 111 MAIN STREET
City: HELENA State: MT Zip: 59601

Business Location: 100 N PARK HELENA

Contact Name:
Phone Number: (406) 555-1212 Fax Number: (406) 555-1213

(Department Use Only)

Assessor Code: ABC1234567 Levy District 1234 County Dist. CD1234

INSTRUCTIONS:

Attached is a list of the personal property items on file at the county of SILVER BOW for the above identified business and owner. Please review and correct the information. Draw a line through items of property you no longer own and add additional items of property on the spaces provided. ATTACH A SEPARATE PAGE IF NECESSARY. Also list the value of supplies on hand in the space provided below. Please don't forget, the law requires a 20% penalty if information isn't returned on time.

EXAMPLE:

		TYPEWRITERS	84	1,050
DELETE →		~~OFFICE MACHINES~~		~~2,000~~
ADD →	2.0	AT&T PHONE	91	834

SUPPLIES ON HAND AS OF JANUARY 1: $_____

AFFIDAVIT OF PERSON LISTING THE WITHIN PROPERTY

I swear that the personal property listed on this reporting form is a complete statement of all taxable property which I, or the business of which I am a member or officer owned, claimed, possessed or controlled at 12 o'clock A.M. on January 1, 1993.

Date _____ SIGN HERE (PREPARER) _____

Prepared by (PRINT) _____

Fed.I.D.# or (If None) Social Security # _____

Montana Property Owners:

CAN STATE GOVERNMENT CUT RED TAPE? You bet! This new reporting form is a good example of the state reducing reporting requirements.

No longer are we asking you to annually list all of your personal property. Simply check the form for accuracy of information and let us know if you have added or deleted property. Please make sure you have reported "ALL" of your taxable personal property. Your cooperation will help the department to ensure fair and equitable taxation of personal property statewide.

Please update the information and return to your Assessor's Office within 30 days. For those with livestock, please return to the office by March 10. If you no longer own the business or have livestock, let the office know when it happened.

Remember, the taxes on your property support your local schools and services. We're trying hard to improve our service to you. We welcome any suggestions for improvement you might have.

Mick Robinson, Director
Department of Revenue

Return Address:

COUNTY ASSESSOR
SILVER BOW COUNTY
ADDR LINE 1
ADDR LINE 2

ADDRESS CORRECTION REQUESTED

XYZ ENTERPRISES
JOHN SMITH
111 MAIN STREET
HELENA MT 59601

SCHEDULE A - LIVESTOCK SUBJECT TO ONLY PER CAPITA TAX

	NUMBER ON MAR. 1	Assessor's Use Only	PER CAPITA
ALL HORSES 9-23 mos.		5001	
ALL CATTLE 9-23 mos.		5002	
ALL SHEEP 9-23 mos.		5006	
ALL GOATS 9-23 mos. (Including exotic)		5008	
	NUMBER ON JAN. 1		
ALL SWINE 3-5 mos. (Including exotic)		5007	
ALL POULTRY		5009	
ALL BEES (No. of Hives or Units)		5010	
Buffalo, Elks, Llamas, Deer & other domestic ungulates 9-23 mos.		5011	

Livestock owned by others and taxable to them or owned by you and located elsewhere. List livestock owned by others and taxable to them. This schedule includes all livestock which is in your possession for which you do not assume tax liability. It is your responsibility to furnish the names and addresses of the owners of such properties. If additional space is required, attach a supplemental sheet to this return.

Lessor information (Owner of Property).

Name _____

Mailing Address _____

City, State ZIP Code _____

SCHEDULE B - ASSESSMENT OF LIVESTOCK -- Shaded Areas for Assessor's Use Only

(Defined as cattle, sheep, horses, mules, swine, goats and asses subject to county property tax and per cepita tax.) Owners of these animals will report on Schedule B of this form the number of head of each kind that are owned by him or in his control.

HORSES	NUMBER ON MAR. 1	Assessor's Use Only	MARKET VALUE	TAXABLE VALUE
Mules, Asses, Shetland Ponies, Donkeys & Burros 24 mos and older		5102		
Stallions 24 mos. - 14 yrs.		5103		
Saddle Horses and Brood Mares 24 mos. - 14 yrs.		5105		
Work & Pack Horse, Riding & Pack Mules, 24 mos. - 14 yrs.		5107		
Show, Race and Roping Horses 24 mos. - 14 yrs.		5108		
All Horses 15 years or older		5109		
Total Horses & Mules				
Per Capita Tax			$	

STOCK AND GRADE	NUMBER ON MAR. 1		MARKET VALUE	TAXABLE VALUE
BULLS 24 mos. and older		5312		
CATTLE 24 mos. - 32 mos.		5315		
CATTLE 33 mos. and older		5316		
STEERS 33 mos. and older		5317		
DAIRY CATTLE 24 mos. and older		5318		
PUREBRED	**NUMBER ON MAR. 1**		**MARKET VALUE**	**TAXABLE VALUE**
BULLS 24 mos. and older		5352		
CATTLE 24 mos. - 32 mos.		5355		
CATTLE 33 mos. and older		5356		
Total Cattle				
Per Capita Tax			$	

SHEEP	NUMBER ON MAR. 1		MARKET VALUE	TAXABLE VALUE
REGISTERED BUCKS 24 mos. and older		5502		
STOCK BUCKS 24 mos. and older		5503		
SHEEP 24 mos. - 70 mos.		5504		
SHEEP 71 mos. and older		5506		
Total Sheep				
Per Capita Tax			$	

GOATS	NUMBER ON MAR. 1		MARKET VALUE	TAXABLE VALUE
BUCKS 24 mos. and older		5402		
DOES 24 mos. and older		5403		
Total Goats				
Per Capita Tax			$	

SWINE	NUMBER ON JAN. 1	Assessor's Use Only	MARKET VALUE	TAXABLE VALUE
BOARS 6 mos. and older		5701		
BROOD SOWS 6 mos. and older		5703		
Total Swine				
Per Capita Tax			$	

ASSESSMENT OF OTHER LIVESTOCK

(Defined as fur bearing animals, domestic animals and wildlife in domestication or a captive environment.) **SUBJECT TO THE PER CAPITA TAX.**

OTHER LIVESTOCK	NUMBER ON JAN. 1	Assessor's Use Only	MARKET VALUE	TAXABLE VALUE
Male - Yak, Elk, Buffalo		5872		
Female - Yak, Elk, Buffalo		5873		
Male - Llamas		5874		
Neut. - Llamas		5875		
Female - Llamas		5876		
Exotic Goats		5876		
Exotic Pigs		5877		
Deer		5879		
Miniature Horses		5880		
Total				
Per Capita Tax			$	

TOTAL VALUE ALL LIVESTOCK

MARKET VALUE	TAXABLE VALUE

NOT SUBJECT TO PER CAPITA TAX.

OTHER LIVESTOCK	NUMBER ON JAN. 1	Assessor's Use Only	MARKET VALUE	TAXABLE VALUE
Other Fur Bearing Animals		5851		
Fox / Bobcat / Coyote		5852		
Mink, Beaver and Chinchilla/Ferret		5853		
Breeding Rabbits		5854		
Fryer Rabbits		5855		
Miscellaneous Animals		5871		
Total Other Livestock				

Assessor's Use Only

* * * COMMERCIAL PROPERTY * * *

TB	SB	QUANTITY	DESCRIPTION	YEAR ACQUIRED	ACQUIRED COST
01	51		SUPPLIES & MATERIALS		550
02	51	25.0	PROFESSIONAL LIBRARIES		
03	51	1.0	COMPUTER SYSTEMS	89	1,250
03	53		VIDEO GAME MACHINES	88	1,675

* * * FARM EQUIPMENT * * *

TB	SB	QTY	YEAR NEW	MAKE	MODEL	2 G 4 D	SIZE	YEAR ACQ	ACQUIRED COST	
01	01	1	85	JD	9000			87	12,000	TRACTOR
01	02	1	87	MF	1000D			88	11,500	COMBINE

* * * HEAVY EQUIPMENT * * *

TB	SB	QTY	YEAR NEW	MAKE	MODEL	OTHER DESC	YEAR ACQUIRED	ACQUIRED COST	
01	01	1	80	IH	2000	123H78A98	88	4,500	AIR EQUIPMENT

MISCELLANEOUS OR LEASED PROPERTY OWNED BY OTHERS

This schedule should be used to report property owned by others and taxable to them or owned by you and located elsewhere. This schedule also includes all property which is in your possession for which you DO NOT ASSUME TAX LIABILITY. It is your responsibility to furnish the names and addresses of the owners of such properties. These could include any items which you have on loan or have leased or which you operate jointly with others. This includes people working for you and using their own tools. If additional space is required, attach a supplemental sheet to this return.

Lessor Information (Owner of Equipment)	Leased Equipment Information
Name _____ Mailing Address _____ City, State, ZIP Code _____	Type of Equipment _____ Year _____ Make _____ Model _____ Selling Price New _____ Date of Lease _____ Length of Lease _____
Name _____ Mailing Address _____ City, State, ZIP Code _____	Type of Equipment _____ Year _____ Make _____ Model _____ Selling Price New _____ Date of Lease _____ Length of Lease _____
Name _____ Mailing Address _____ City, State, ZIP Code _____	Type of Equipment _____ Year _____ Make _____ Model _____ Selling Price New _____ Date of Lease _____ Length of Lease _____
Name _____ Mailing Address _____ City, State, ZIP Code _____	Type of Equipment _____ Year _____ Make _____ Model _____ Selling Price New _____ Date of Lease _____ Length of Lease _____
Name _____ Mailing Address _____ City, State, ZIP Code _____	Type of Equipment _____ Year _____ Make _____ Model _____ Selling Price New _____ Date of Lease _____ Length of Lease _____
Name _____ Mailing Address _____ City, State, ZIP Code _____	Type of Equipment _____ Year _____ Make _____ Model _____ Selling Price New _____ Date of Lease _____ Length of Lease _____

Residential Property Tax Rates

Largest City in Each State
Northwest Region, 1991

Rank	City	State	Assessment Level	Effective Rate Per $100 of Market Value
1	Portland	OR	100.0%	$2.64
2	Sioux Falls	SD	84.9%	2.36
3	Boise	ID	96.9%	1.92
4	Fargo	ND	4.5%	1.78
5	**Billings**	**MT**	**3.9%**	**1.43**
6	Seattle	WA	95.7%	1.30
7	Salt Lake City	UT	6.0%	1.08
8	Cheyenne	WY	9.5%	0.72
	Unweighted Average		50.2%	165.4%

Source: Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison.

Residential Property Tax Rates
Largest City in Each State
1991

Rank	City	State	Assessment Level	Effective Rate Per $100 of Market Value
1	Detroit	MI	49.4%	$4.40
2	Milwaukee	WI	96.7%	3.75
3	Newark	NJ	17.4%	2.96
4	Des Moines	IA	65.8%	2.66
5	Philadelphia	PA	32.0%	2.64
6	Portland	OR	100.0%	2.64
7	Manchester	NH	100.0%	2.59
8	Providence	RI	100.0%	2.55
9	Bridgeport	CT	39.4%	2.49
10	Baltimore	MD	40.0%	2.46
11	Sioux Falls	SD	84.9%	2.36
12	Omaha	NE	88.1%	2.31
13	Jacksonville	FL	100.0%	2.15
14	Houston	TX	100.0%	2.00
15	Columbus	OH	35.0%	2.00
16	Boise	ID	96.9%	1.92
17	Fargo	ND	4.5%	1.78
18	Wichita	KS	12.0%	1.76
19	Indianapolis	IN	15.0%	1.75
20	Atlanta	GA	30.0%	1.74
21	Anchorage	AK	96.0%	1.74
22	Portland	ME	46.4%	1.74
23	Wilmington	DE	100.0%	1.63
24	New Orleans	LA	10.0%	1.61
25	Chicago	IL	16.0%	1.59
26	Phoenix	AZ	10.0%	1.47
27	Jackson	MS	10.0%	1.47
28	Burlington	VT	60.7%	1.44
29	Billings	MT	3.9%	1.43
30	Columbia	SC	4.0%	1.43
31	Seattle	WA	95.7%	1.30
32	Louisville	KY	92.0%	1.20
33	Charlotte	NC	86.0%	1.15
34	Kansas City	MO	19.0%	1.15
35	Minneapolis	MN	10.9%	1.11
36	Virginia Beach	VA	100.0%	1.09
37	Salt Lake City	UT	60.0%	1.08
38	Oklahoma City	OK	11.0%	1.04
39	Albuquerque	NM	33.3%	1.04
40	Las Vegas	NV	35.0%	1.02
41	Denver	CO	14.3%	0.97
42	Little Rock	AR	18.7%	0.95
43	Washington	DC	94.70%	0.91
44	Boston	MA	100.0%	0.89
45	New York City	NY	8.0%	0.87
46	Cheyenne	WY	9.5%	0.72
47	Birmingham	AL	10.0%	0.70
48	Charleston	WV	37.4%	0.65
49	Los Angeles	CA	61.2%	0.63
50	Memphis	TN	25.0%	0.54
51	Honolulu	HI	100.0%	0.37
	Unweighted Average			$1.64
	Mean			$1.47

Source: Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison.

ADDENDUM A

REPORT

OF THE

DEPARTMENT OF REVENUE

AGRICULTURAL LAND ADVISORY COMMITTEE

RECOMMENDATIONS ON AGRICULTURAL

LAND VALUATION IN MONTANA

DEPARTMENT OF REVENUE
AGRICULTURAL LAND
ADVISORY COMMITTEE MEMBERS

- Les Hirsch, Chairman - Farmer/Ranch Owner
  Miles City, MT
- Larry Anderson, Farm Owner
  Chester, MT
- Senator Tom Beck, Farm/Ranch Owner
  Deer Lodge, MT
- David Bliss, Farm Owner
  Conrad, MT
- Al Evans, Ranch Owner/Appraiser
  Roundup, MT
- Representative Marian Hanson, Ranch Owner
  Ashland, MT
- Robert Lenhardt, Farm Owner
  Billings, MT
- Ed Leuthold, Realtor/Appraiser
  Billings, MT
- Ted Underdal, Farm Owner
  Ledger, MT
- Dr. Myles J. Watts, Professor/Farm Owner
  Montana State University
- John E. Witt, Farm/Ranch Owner/County Commissioner
  Carter, MT

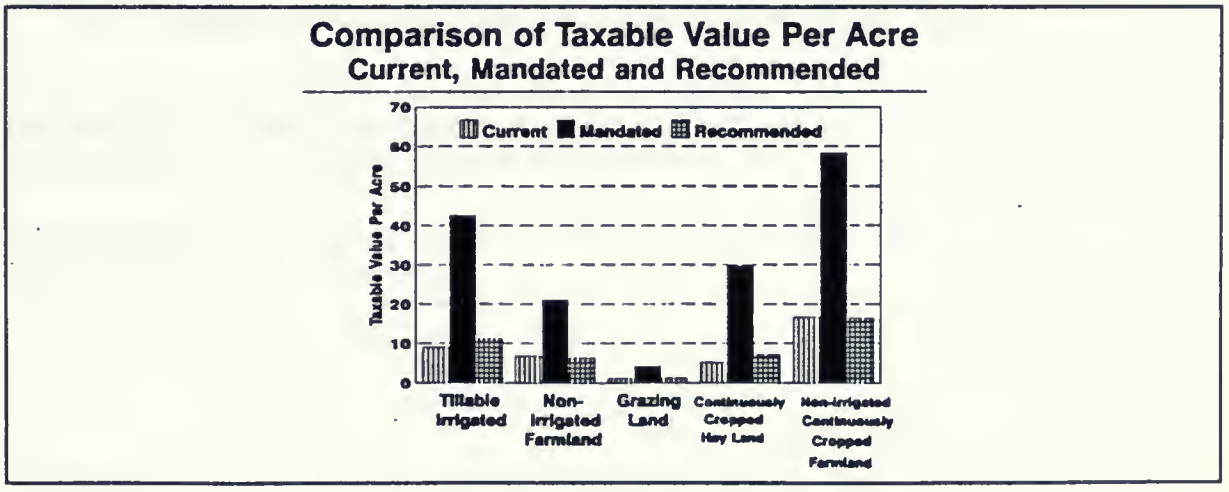
PREFACE

Eighteen months ago, Governor Stephens appointed eleven Montanans to review, evaluate, and recommend changes in taxing nearly 51 million acres of agricultural land. The following report discusses the details of the committee's recommendations. This preface and the executive summary will provide a synopsis for those who do not read the entire report. However, the committee encourages the reading of the entire report.

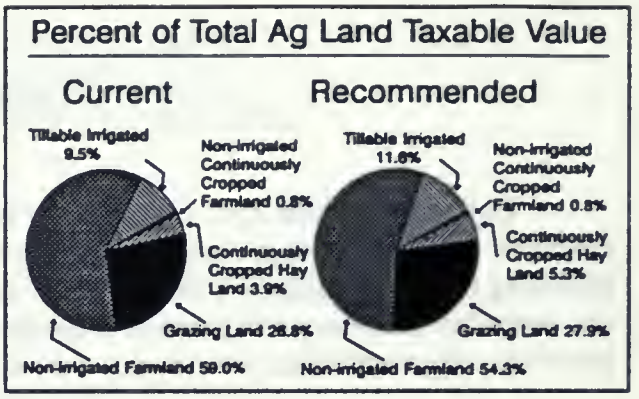
The committee members are knowledgeable of the different types of agriculture and agricultural land values. Furthermore, there is representation from every region of the state.

As mandated, the implementation of existing law 1993 will greatly increase the taxable value of Montana's agricultural land. Unless changed, the result will be an increase in taxable value by 258% over the current system.

As an alternative, the committee recommends a phase-in of new agricultural land values and changes in law that will provide for reasonable land valuation, yet result in no statewide change to the current total taxable value. The relationship between current values, the mandated values that will result from implementation of existing law and the committee's recommended values are illustrated in the graph below.



When valuations are updated, there are always winners and losers. This process is no different. Certain types of land would increase in taxable value while other types would decrease under the recommended system. The pie-chart shows the increases and decreases by land type.



The recommended schedules were based upon rent per acre. The rent of the most common type of irrigated land in Montana was set at $14.43 per acre. The rent of the most common type of dryland crop was set at $9 per acre. The rent of the most common type of pasture was set at $2.10 per acre. For each land type, the appropriate rent was capitalized, using a rate, into a value for each acre.

The committee report has been presented to the executive boards of agricultural groups and to taxpayers at meetings that were held in all regions of the state. There is little doubt that legally the current agricultural land valuation schedules must be updated. The committee asks for your support for the fair and equitable valuation of Montana's agricultural land.

EXECUTIVE SUMMARY

The Agricultural Land Advisory Committee reviewed the current agricultural land value schedules used for property taxation. The current schedules were developed about thirty years ago. The following summary of recommendations is not exhaustive, and those interested in further particulars are referred to the complete report.

Summary of Recommended Changes

The following changes are recommended by the Committee (which may not be consistent with MCA 15-7-201 — which is scheduled to go into effect in 1994) to incorporate the desired level of stability and make the system of agricultural land taxation fairer, simple, and administratively feasible.

1. The assessed value of agricultural land should be determined by capitalizing the rental value of the land.
2. Rental value should be determined as 1/4 cropshare on all cropland.
3. Prices and grazing fees should be based on a seven-year Olympic historical average (with farm program considerations incorporated and hay prices and grazing fees adjusted, as discussed in the report).
4. Water costs due to energy and labor should be deducted from the rental value prior to determining assessed value on irrigated land.
5. The water cost categories should be modified to account for higher costs.
6. The capitalization rate should be 6.4 percent.
7. The taxable rate should be reduced to 3.86 percent, consistent with commercial, residential, and industrial property.
8. The valuation change should be phased in, with 50% of the change occurring on January 1, 1994, and the remaining 50% of the change occurring on January 1, 1997.
9. Water cost deductions should be further analyzed before January 1, 1997.

The Committee views these recommendations as a package to be considered in its entirety. The Committee is not offering these recommendations as a "pick and choose menu" where individual recommendations are selectively chosen or rejected.

These adjustments are intended to result in a statewide total taxable value of agricultural land equal to that under the current system.

Brief Summary of Results

Table 1 allows comparisons between the current schedules and the recommended schedules. The recommended schedules in Table 1 do not reflect an interim phase-in. The phase-in taxable value for the recommended schedule can be calculated for each land grade by adding the current schedule taxable value to the recommended schedule taxable value and then dividing that sum by 2. For example, the phase-in value for class 1-grade 2 land would be $18.54 as determined by this computation, ($13.63 + $23.44 ÷ 2). The relative change in taxable value, if a phase-in approach was adopted, for that land would be 0.36.

The most dramatic increases in taxable values occur in the irrigated land classes (Class 1-3) and continuously-cropped hayland (Class 6). Those receiving the largest reductions in taxable values are the more productive non-irrigated summer fallow farmland (Class 4), non-irrigated continuously-cropped farmland (Class 7), and to a lesser extent the more productive grazing land (Class 5). Table 2 features the recommended and mandated (MCA 15-7-201) schedules for various land classes and grades. In all cases, the taxable value is higher for the mandatory than the recommended. The total taxable value of all agricultural land under the recommended system is equal to the total under the current schedules. The total taxable value under the mandated system averages about 258% greater than either the current schedules or the recommended system. The mandated system is not recommended by the Committee.

TABLE I. EXAMPLES OF CURRENT AND RECOMMENDED SCHEDULES

Class	Grade	Yield	Current		Recommended		Relative Change in Taxable Value
			Assessed Value	Taxable Value	Assessed Value*	Taxable Value	
1	2	3.70	45.44	13.63	607.13	23.44	0.72
1	5	2.20	18.43	5.53	281.81	10.88	0.97
2	2	3.70	35.00	10.50	546.41	21.09	1.01
2	5	2.20	15.81	4.74	253.63	9.79	1.06
3	2	3.70	28.47	8.54	485.70	18.75	1.20
3	5	2.20	13.82	4.15	225.45	8.70	1.10
4	1A5	34.50	61.37	18.41	262.12	10.12	-0.45
4	2B	18.50	19.17	5.75	140.56	5.43	-0.06
4	3B	12.50	9.44	2.83	94.97	3.67	0.29
5	1A	8.00	20.51	6.15	133.89	5.17	-0.16
5	3	32.50	3.72	1.12	32.96	1.27	0.14
5	5	77.50	1.47	0.44	13.82	0.53	0.21
6	4	1.70	29.43	8.83	368.69	14.23	0.61
6	6	0.70	10.05	3.02	151.81	5.86	0.94
7	1A2	40.50	108.17	32.45	615.41	23.75	-0.27
7	6	24.50	42.96	12.89	372.29	14.37	0.12

Note: (1) All irrigated land (Classes 1, 2 and 3) used a water cost of $12.50, and (2) Classes 1-3 and 6 yields are tons of hay per acre; Classes 4 and 7 yields are bushels of wheat per acre; and Class 5 is acres per AUM of grazing. Class 1 comprises less than 1%, Class 2 comprises less than 1%, Class 3 comprises 1.5%, Class 4 comprises 24%, Class 5 comprises 71%, Class 6 comprises 2%, and Class 7 comprises less than 1% of the agricultural land in Montana.

* Interpolated from current schedules.

TABLE 2. EXAMPLES OF MANDATED AND RECOMMENDED SCHEDULES

Class	Grade	Yield	Mandated (MCA 15-7-201)		Recommended	
			Assessed Value	Taxable Value	Assessed Value*	Taxable Value
1	2	3.70	252.31	75.69	607.13	23.44
1	5	2.20	113.21	33.96	281.81	10.88
2	2	3.70	227.08	68.12	546.41	21.09
2	5	2.20	101.89	30.57	253.63	9.79
3	2	3.70	201.85	60.55	485.70	18.75
3	5	2.20	90.57	27.17	225.45	8.70
4	1A5	34.50	122.18	36.66	262.12	10.12
4	2B	18.50	65.52	19.66	140.56	5.43
4	3B	12.50	44.27	13.28	94.97	3.67
5	1A	8.00	62.05	18.61	133.89	5.17
5	3	32.50	15.27	4.58	32.96	1.27
5	5	77.50	6.40	1.92	13.82	0.53
6	4	1.70	157.65	47.29	368.69	14.23
6	6	0.70	64.91	19.47	151.81	5.86
7	1A2	40.50	286.87	86.06	615.41	23.75
7	6	24.50	173.54	52.06	372.29	14.37

Note: (1) All irrigated land (Classes 1, 2 and 3) used a water cost of $12.50, and (2) Classes 1-3 and 6 yields are tons of hay per acre; Classes 4 and 7 yields are bushels of wheat per acre; and Class 5 is acres per AUM of grazing. Class 1 comprises less than 1%, Class 2 comprises less than 1%, Class 3 comprises 1.5%, Class 4 comprises 24%, Class 5 comprises 71%, Class 6 comprises 2%, and Class 7 comprises less than 1% of the agricultural land in Montana.

* Interpolated from current schedules.

AGRICULTURAL ADVISORY COMMITTEE REPORT

September 1992

AGRICULTURAL ADVISORY COMMITTEE REPORT

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I. INTRODUCTION

The Agricultural Advisory Committee was appointed by Governor Stephens as provided in 15-7-201, MCA to review and recommend changes in the valuation of agricultural lands for tax purposes. A copy of the 15-7-201 statute, along with a list of the committee members, is presented in Appendix A.

This report presents the findings and recommendations of the Agricultural Advisory Committee. The remainder of the report is divided into four sections: Section II provides a historical perspective to this process, Section III discusses the current system of land valuation, Section IV presents two revised systems of land valuation (one revised system is based on the recommendations of the Committee; the other system, referred to as "mandated," is consistent with 15-7-201, MCA), Section V examines the effects of changing from the current system to the revised systems, and Section VI summarizes the recommendations and conclusions of the Agricultural Advisory Committee.

The Committee's charge to review and recommend procedures for determining agricultural land values is based on an understanding that current total agricultural land taxable value will not be changed. As such, no part of this report should be interpreted as a recommendation for a change in total agricultural land taxable value.[1]

The Committee developed the recommended modifications for agricultural land taxable value using the following considerations:

(1) Fairness — It is the belief of the Committee that agricultural land generating similar returns net of production costs should be taxed in a similar manner. Land generating differing levels of returns net of production costs should be taxed in proportion to the returns generated. It is also the belief of the Committee that the method of taxing agricultural real property should be consistent with non-agricultural real property.

(2) Simplicity — The tax system should be designed to be as understandable as reasonably possible.

(3) Administrative Feasibility — The tax system should be administratively efficient (low cost). Usually simpler systems are less expensive and easier to update than complex systems.

(4) Stability — Tax systems should adjust to long-term economic trends but not vary with short-term economic fluctuations.

It is the intent of the Committee to recommend a mechanism which meets these criteria and is easily updated.

---

[1]The Committee depended on available data in meeting this requirement. However, the revised schedules account for higher water costs, whose distribution is unknown. Because irrigated land accounts for approximately 3% of the agricultural land, the impact should be minor.

II. HISTORY

The current agricultural land valuation schedules were developed under the guidance of the Board of Equalization in the early 1960s. As of July 1, 1973, the Department of Revenue was delegated the responsibility for classifying all agricultural lands.

Over the past thirty years, various aspects of these schedules have been debated. During the 1985 reappraisal cycle, the Department of Revenue, with the assistance of agricultural representatives, recommended revisions in the valuation schedules. However, after public debate, the 1985 Legislature froze the current agricultural land valuation schedules and provided direction for developing future agricultural land schedules.

The last Legislature called for a review of and recommended changes in the valuation schedules (15-7-201 MCA). Since the current schedules are virtually the same as those developed in the early 1960s (although some modifications have occurred) and since there has been substantial changes in many aspects of the economy, it is only reasonable and fair that the agricultural land valuation schedules be reviewed and modified as appropriate.

III. CURRENT SYSTEM

The current agricultural land value schedules used by the State of Montana for tax assessment are presented in Tables 1 and 2. The non-irrigated agricultural land values in Table 2 were originally developed and adopted by the Board of Equalization in 1962. The irrigated land values in Table 1 were originally developed by the Montana Association of County Commissioners but also adopted by the Board of Equalization in September of 1962.

IV. REVISED SYSTEM

The Committee recommends the following approach for calculating the assessed value of agricultural land.

Valuation Formula

The revised systems of determining agricultural land values are based on a simple relationship between the productive value of land and the expected returns from that land. The productive value of land is the sum of money that would earn annual interest equal to the annual expected returns from owning the land. The relationship can be expressed in the following form:

$$Vr = R$$

where: V = productive value of land,
r = interest rate,
R = expected annual return.

TABLE 1. CURRENT ASSESSED VALUES FOR MONTANA IRRIGATED AGRICULTURAL LANDS

CLASS 1 (Maximum Rotation) Assessed Value Per Acre by Water Cost Classes

Grade	Tons Alfalfa Per Acre	Under $1.50	$1.50 - 2.49	$2.50 - 3.49	$3.50 - 4.49	$4.50 - 5.49	$5.50 - 6.49	$6.50 - 7.49	$7.50 & Over
1A	4.5 +	110.40	103.74	97.07	90.40	83.74	77.07	70.40	63.74
1B	4.0-4.4	94.70	88.98	83.26	77.55	71.83	66.11	60.39	54.68
2	3.5-3.9	78.70	73.96	69.20	64.45	59.70	54.94	50.19	45.44
3	3.0-3.4	63.70	59.85	56.00	52.16	48.31	44.47	40.62	36.78
4	2.5-2.9	48.53	45.60	42.67	39.74	36.81	33.88	30.95	28.02
5	2.0-2.4	31.92	30.00	28.07	26.14	24.21	22.29	20.36	18.43
6	1.5-1.9	19.86	18.67	17.47	16.27	15.07	13.87	12.67	11.47
7	1.0-1.4	11.37	10.69	10.00	9.31	8.63	7.94	7.25	6.57
8	-1.0	4.55	4.28	4.00	3.72	3.45	3.18	3.06	3.06

CLASS 2 (Medium Rotation) Assessed Value Per Acre by Water Cost Classes

Grade	Tons Alfalfa Per Acre	Under $1.50	$1.50 - 2.49	$2.50 - 3.49	$3.50 - 4.49	$4.50 - 5.49	$5.50 - 6.49	$6.50 - 7.49 -	$7.50 & Over
1A	4.5+	97.26	90.60	83.93	77.27	70.60	63.94	57.27	50.60
1B	4.0-4.4	81.72	76.12	70.52	64.92	59.32	53.72	48.12	42.52
2	3.5-3.9	67.27	62.66	58.05	53.44	48.83	44.22	39.61	35.00
3	3.0-3.4	53.90	50.21	46.51	42.82	39.12	35.43	31.73	28.04
4	2.5-2.9	41.60	38.76	35.90	33.05	30.20	27.35	24.49	21.65
5	2.0-2.4	30.39	28.31	26.22	24.14	22.06	19.98	17.89	15.81
6	1.5-1.9	19.86	18.67	17.47	16.27	15.07	13.87	12.67	11.47
7	1.0-1.4	11.37	10.69	10.00	9.31	8.63	7.94	7.25	6.57
8	-1.0	4.55	4.28	4.00	3.72	3.45	3.18	3.06	3.06

CLASS 3 (Minimum Rotation) Assessed Value Per Acre by Water Cost Classes

Grade	Tons Alfalfa Per Acre	Under $1.50	$1.50 - 2.49	$2.50 - 3.49	$3.50 - 4.49	$4.50 - 5.49	$5.50 - 6.49	$6.50 - 7.49	$7.50 & Over
1A	4.5+	86.26	79.60	72.93	66.27	59.60	52.94	46.27	39.60
1B	4.0-4.4	73.84	68.14	62.43	56.72	51.02	45.31	39.60	33.90
2	3.5-3.9	62.01	57.22	52.43	47.64	42.84	38.05	33.26	28.47
3	3.0-3.4	50.79	46.86	42.94	39.02	35.09	31.16	27.24	23.32
4	2.5-2.9	40.15	37.05	33.95	30.85	27.74	24.64	21.54	18.43
5	2.0-2.4	30.11	27.78	25.46	23.13	20.80	18.48	16.15	13.82
6	1.5-1.9	19.86	18.67	17.47	16.27	15.07	13.87	12.67	11.47
7	1.0-1.4	11.37	10.69	10.00	9.31	8.63	7.94	7.25	6.57
8	-1.0	4.55	4.28	4.00	3.72	3.45	3.18	3.06	3.06

TABLE 2. CURRENT ASSESSED VALUES FOR MONTANA NON-IRRIGATED AGRICULTURAL LANDS

CLASS 4 Non-irrigated Farmland

Grade	Wheat Per Acre on Summer Fallow	Assessed Value Per Acre
1A8	40 & over	81.08
1A7	38-39	74.51
1A6	36-37	67.94
1A5	34-35	61.37
1A4	32-33	54.80
1A3	30-31	48.60
1A2	28-29	42.79
1A1	26-27	37.31
1A	24-25	32.22
1B	22-23	27.50
2A	20-21	23.15
2B	18-19	19.17
2C	16-17	15.56
3A	14-15	12.31
3B	12-13	9.44
4A	10-11	6.94
4B	8- 9	4.81
5	Under 8	3.06

CLASS 5 Grazing Land

Grade	Acres Per 1000# Steer 10 Mos.	Assessed Value Per Acre
1A2	Under 3	71.69
1A1	3-5	44.18
1A+	5.1-5.9	31.27
1A	6-10	20.51
1B	11-18	10.53
2A	19-21	7.17
2B	22-27	5.42
3	28-37	3.72
4	38-55	2.52
5	56-99	1.47
6	100 or over	.82

CLASS 6 Continuously Cropped Hay Land

Grade	Tons of Hay Per Acre	Assessed Value Per Acre
1	3.0 & over	67.60
2	2.5-2.9	53.03
3	2.0-2.4	41.38
4	1.5-1.9	29.43
5	1.0-1.4	19.38
6	.5-.9	10.05
7	Less than .5	5.54

CLASS 7 Non-irrigated Continuously Cropped Farmland

Grade	Bu. of Wheat Per Acre Each Year	Assessed Value Per Acre
1A4	44 & over	125.71
1A3	42-43	116.94
1A2	40-41	108.17
1A1	38-39	99.40
1A	36-37	90.63
1	34-35	81.86
2	32-33	73.09
3	30-31	64.81
4	28-29	57.05
5	26-27	49.75
6	24-25	42.96
7	22-23	36.67
8	20-21	30.87
9	18-19	25.56
10	16-17	20.75
11	14-15	16.41
12	12-13	12.59
13	10-11	9.25
14	Less than 10	6.41

Solving for the productive value, the formula is usually written as:

$$V = \frac{R}{r}$$

where the interest rate r, by which the expected annual return is converted into its equivalent market value, is called the capitalization rate.

For example, if a parcel of land is expected to generate returns of $10,000 per year and the appropriate capitalization rate is 8 percent, then the productive value of the land is $125,000 (10,000/.08). That is, the $125,000 invested at an interest rate of 8 percent would earn an amount equal to the annual expected return from owning the land ($10,000).

Effective Tax Rate

In the case of land that is taxed, the above valuation formula must be altered. For land that is taxed, the productive value is still the amount of money that would earn annual interest equal to the annual returns from owning the land. The annual returns from owning the land are now reduced by the tax. The tax equals the value of the land times the effective property tax rate. The valuation formula now takes the form:

$$Vr = R - Vt$$

where: t = effective property tax rate.

Solving for the value,

$$Vr + Vt = R$$

$$V(r + t) = R$$

$$V = \frac{R}{(r + t)}$$

where r + t is the capitalization rate.

For example, if a parcel of land is expected to yield a permanent return of $10,000 per year, the appropriate interest rate is 8 percent, and the property tax rate is 2.5 percent of productive value, then the value of the land is $95,238 ($10,000/.105). The effect of the 2.5 percent tax is a reduction in the value of land from $125,000 to $95,238. The value of the land has fallen because the expected returns from owning the land are lower due to the tax.

This is the traditional and widely-accepted discounted value of earnings approach to valuing land. Because the returns to land and capitalization rate are assumed to be constant into perpetuity, it is referred to as the capitalized value of earnings approach.

Effect of Inflation

An often misunderstood aspect of the capitalized value of earnings approach is the effect of inflation. Inflation impacts both the interest rate and the returns. With inflation, an inflation premium is included in the interest rate to reimburse investors for the erosion in future purchasing power. If returns are expected to be constant without inflation, then returns are expected to increase with inflation. It is correct to use an interest rate which includes the inflation premium, along with explicitly accounting for the influence of inflation on future returns. In order to do this, however, the capitalization formula as outlined above cannot be used. The returns are changing each year due to inflation and a different capitalization formula must be used (see Appendix B). The usual approach is to choose an interest rate which does not include an inflation premium and apply it to returns which are expected to remain unchanged in constant valued dollars (exclude the influence of inflation). The principal issues then become how to measure the returns to farmland and what is the appropriate interest rate for determining farmland values.

Measuring Returns to Farmland

The obvious measure of returns to farmland is net income from farm production, where net income is generally defined as gross income from production less production expenses. Net income is the measure of returns currently proposed by the Montana Legislature for determining land market values. Specifically, an average of the net income produced over a complete crop rotation cycle is proposed.

Although the net income measure is intuitively appealing, there are problems with estimating net income in practice. The main concerns are the lack of availability of appropriate data and the time and other expense involved in updating the data. In particular, accurate estimates of operating expenses are difficult and expensive to obtain.

Land Rent

A simpler measure of returns to farmland is the rental value of land. The rationale for using the rental value of land as a measure of returns to farmland is simple. Farmland can be rented under a cropshare rental arrangement where the owner of the land (the landlord) receives a certain share or percentage of the crop produced by the tenant as rent for use of the land. The value of the percentage of the crops received by the landlord under this arrangement is a measure of the net returns to the farmland in production.

Suppose a tenant and landlord agree, for example, to a 1/4 cropshare rental arrangement. The return to the landlord for the land in production under this arrangement is 25 percent of the gross revenue. This is the net return to the land in production. The remaining 75 percent of the gross revenue represents costs to the landlord and compensation to the tenant for nonland inputs. If the gross revenue from production is $150,000, the returns to land in producing the crop are $37,500

(150,000 x .25). The remaining $112,500 (150,000 x .75) represents returns to the tenant and costs of production to the landlord for the tenant's inputs.

Unlike the net income measure, the data needed to estimate land rent as a measure of returns to farmland are readily available and easy to update. All that is required is a determination of the appropriate cropshare arrangement and data on crop prices and yields. For these reasons, the Committee recommends the rental value of land as the measure of returns to farmland for determining agricultural land values. It is used as the measure of returns to farmland in the upcoming analysis of the revised system as recommended by the Committee, and in the revised system as mandated by the Legislature.

The Capitalization Rate

The capitalization rate is the rate at which individuals discount future income exclusive of any expectations they may have about inflation. That is, individuals expect to be reimbursed for giving up a current sum of money for future returns from farmland over and above any reimbursements for a decline in the purchasing power of those returns due to general price inflation. The rate of return they expect to earn as reimbursement for this tradeoff is the capitalization rate. Since it does not include any inflation component, the capitalization rate is essentially a measure of the expected real rate of return.

Because nominal rates of interest as mandated in 15-7-201, MCA lead to incorrect land values under the capitalized value of earnings approach (unless inflation is included in the returns and an expanded form of the valuation formula is used), the Committee recommends a measure of a capitalization rate based on rent-to-value ratios. Rent-to-value ratios compare the annual cash rent for which land is or can be leased to the cost of acquiring the land. Cropland rent-to-value ratios from 1986 to 1990 are presented in Table 3.

TABLE 3. RENT-TO-VALUE RATIO OF CROPLAND IN MONTANA, 1986-1990

	Rent/Value (%)[a]		
Year	Irrigated	Non-irrigated	Pasture
1986	6.6	8.4	4.1
1987	6.1	10.1	5.0
1988	5.6	7.8	3.3
1989	8.5	8.4	6.3
1990	8.3	8.3	6.8
Average	**7.02**	**8.60**	**5.1**

[a] Rent-to-value ratios obtained from *Agricultural Resources*, Agricultural Land Values and Markets, United States Department of Agriculture, June 1990.

The average annual per acre rent-to-value ratio from 1986 to 1990 was 7.02 percent for irrigated land, 8.60 percent for non-irrigated land, and 5.1 percent for pasture or grazing land. These averages are useful in determining agricultural land values because they are a measure of the rate of return individuals might expect, including a return for taxes. That is, the average annual return to irrigated cropland of 7.02 percent is a measure of the return individuals expect for foregoing current income for future returns plus a return for taxes. It is the judgement of the Committee that the appropriate long-term capitalization rate is 6.4% for all classes of agricultural land. While Table 3 indicates some short-term fluctuations, the Committee believes the longer-term capitalization rate is more stable and should remain at 6.4%.

V. CURRENT VERSUS REVISED SYSTEM

The following analysis explores the effects of changing from the current system of agricultural land tax assessment in Montana to the revised systems as recommended by the Committee and as mandated by the Legislature. Both of the revised systems are based on the capitalized value of earnings, where the rental value of land is used as a measure of the returns to farmland.

The first part of this section describes the data used in the analyses. The second part discusses the results.

Description of Data

Both the recommended and mandated revised systems use the following land classification scheme, which is a modification of the current system. The schedules for the revised system as recommended by the Committee are presented in Appendix Tables 1 through 7. The schedules for the revised system as mandated are presented in Appendix Tables 8 through 14. (The Appendix tables are presented at the end of this report.)

The land is divided into seven classes: Classes 1 through 3 are tillable irrigated lands — maximum, medium, and minimum rotation respectively; Class 4 is non-irrigated summer fallow farmland; Class 5 is grazing land; Class 6 is continuously cropped hay land; and Class 7 is non-irrigated continuously cropped farmland. Within each class of land, different levels of productive quality or grades of the land are specified. For example, each class of tillable irrigated land (Classes 1 through 3) has nine production levels/grades of land labeled as Grades 1A - 8. Grade 1A is the most productive land, in terms of output produced on tillable irrigated lands, while Grade 8 is the least productive. These grades or production categories are identical to those used in the current agricultural land value schedules (Tables 1 and 2).

For each class/grade of land, the following variables are determined:

Water Cost (on irrigated land)

Water cost is the per acre energy cost of irrigation equipment plus labor. The energy cost is a seven-year Olympic average[2] under the revised system recommended by the Committee, and three-year averages under the mandated revised system. Labor costs are zero for pivot sprinkler irrigation systems; $4.50 per acre for tow lines, side roll, and lateral sprinkler irrigation systems; and $9.00 per acre for hand-move and flood irrigation systems.

Seven water cost categories — $2.50, $7.50, $12.50, $17.50, $22.50, $27.50, and $32.50 — are recommended for each grade of land in each of the three classes of irrigated land (Classes 1 through 3). These categories — $2.50, $7.50, $12.50, $17.50, $22.50, $27.50, and $32.50 — are different from the various water cost categories used in the current schedules (Table 1) and are referred to in this report as the redefined water cost categories. The water cost for all other non-irrigated class/grade categories of land is zero. For irrigated parcels of 40 acres or less, water costs are $12.50 per acre rather than the labor and energy costs.

Yield

Yield is the average of the high and low amounts of base crop produced per acre of land in each grade, as presented in the current schedules of land values (Tables 1 and 2). For example, the yield for Class 1/Grade 1B land in the current schedule (Table 1) is from 4.0 to 4.4 tons of alfalfa per acre. This is converted to an average yield of 4.2 tons of alfalfa per acre. In cases where the land is used to produce a variety of different crops, the predominant crop produced is the base crop. For example, alfalfa is the base crop for tillable irrigated lands, Classes 1 through 3, and continuously-cropped hayland, Class 6. Wheat is the base crop for non-irrigated farmlands, Class 4 and Class 7.

For Class 5 grazing land, yield is the number of acres required to support a 1,000 lb steer per month (acres per animal unit month). It is calculated as 10 divided into the average of the maximum and minimum number of acres required to support a 1,000 lb steer for 10 months, as shown in Table 2 of the current schedules.

On non-tillable irrigated grazing land, the yield, under the recommended system, will be based upon grazing capacity bas follows:

$$\text{Yield} = \frac{\text{Animal Unit Months of Grazing} \times \text{700 Lbs. of Dry Matter Per AUM}}{\text{2,000 Lbs/Ton}}$$

[2]The Olympic average excludes the highest and lowest price over that seven-year period.

Current Assessed Value

Current assessed value is the per acre value of land currently used by the Montana Department of Revenue for assessing taxes, as presented in the current agricultural land value schedules (Tables 1 and 2).

For all non-irrigated lands (Classes 4-7, Appendix Tables 4-7), the current assessed values are identical to those given in the current schedule for non-irrigated land (Table 2). In the case of irrigated lands (Classes 1-3, Appendix Tables 1-3), the current assessed value for each of the six redefined water cost categories — $2.50, $7.50, $12.50, $17.50, $22.50, $27.50 and $32.50 — is an average of the various water cost categories given in the current schedule for irrigated lands (Table 1). The value for the $2.50 water cost category is the average of the values for the $1.50 to $3.49 water cost categories; the value for the $7.50 category is the average of the values for the $6.50 to $7.50 and above categories. The values for the $12.50, $17.50, $22.50, $27.50 and $32.50 water cost categories are identical to the values for the $7.50 and over water cost category in the current schedule.

Adjusted Assessed Value

The adjusted assessed value is the capitalized average of the rental value of land. It is calculated as:

$$V = \frac{R}{(r + t)}$$

where: V = adjusted assessed value,
R = an average of the past and present rental value of land per acre,
r = interest rate,
t = effective tax rate.

In the case of Class 1 irrigated land and non-irrigated cropped farm and hay lands (Classes 4, 6, and 7), a 1/4 cropshare rental arrangement is used. This is the common 1/3 cropshare arrangement in Montana, less 25 percent for oversight and other general management costs borne by the landlord. The average of the past and present rental value of land (R) is then calculated as 1/4 of the crop yield per acre of land times an average price for that crop. On non-irrigated farmland (Class 4), 1/8th is used to adjust for summer fallow where crops are planted every other year. If the land is irrigated (Classes 1-3), labor and energy water costs are deducted from the rental value of the land.

The cropshare is multiplied by the commodity price to calculate returns. For the revised system recommended by the Committee, the average price for all commodities is a seven-year Olympic average for the period 1983 to 1989. A three-year average for the period 1987 through 1989 is used in the revised system mandated by the Montana Legislature. A seven-year Olympic average is recommended over a three-year average to reduce the influence of years with atypically-high or low prices. Crop price data are obtained from *Montana Agricultural Statistics 1990*. Grazing fee data are from the Montana Crop and Livestock Reporting Service.

Two adjustments are made in calculating average prices. First, based on information from the Montana Crop and Livestock Reporting Service that the reported price of hay may not be representative of the typical hay produced in Montana because of higher quality and higher-priced hay commonly traded in the market, the average price of hay is multiplied by 80 percent. Second, because of the new farm program, the "effective price" of wheat in each year is calculated as a weighted average of the current target price and market price of wheat. The weights are based on (1) the percent of total base acres eligible for government payments and (2) the percent of total base acres that can be planted and sold in the market. For example, on a 100 acre parcel in Montana, the average farm program base acreage would be 60 acres. Of the 60 acre base, 70% or 42 acres can be planted and will be eligible for government payments. For the remaining acres, 15% of the base (60) or 9 acres can be planted as "flex acres" and the production can be sold at the market price. The remaining 15% of the base (60) or 9 acres (called ACR Acres) cannot be planted. From this information, a weighted average for wheat is calculated based on the target price and the market price received for the "flex acres" production.

For example, the weighted average price including government program acreage and flex acreages is:

$$\frac{42 \text{ acres} \times \$4 \text{ (target price)} + 9 \text{ acres} \times 3.45 \text{ (market price)}}{51}$$

$$= \$\ 3.90$$

This would be the "effective price" for wheat. The market price of wheat used to calculate the effective price is either the seven-year Olympic average or the three-year average for the recommended or mandated system, respectively.

In the case of Class 5 grazing land, the average of the past and present per acre net rental value of land is calculated as 75 percent of the average grazing fee for a 1,000 pound animal divided by the number of acres required to support a 1,000 pound steer per month (acres per animal unit month).

As discussed earlier, the capitalization rate for the revised system as recommended by the Committee is based on the annual per acre rent-to-value ratios for cropland as reported in Table 3. The rate recommended is 6.4 percent.

The capitalization rate for the revised system mandated by the Montana Legislature is the annual average interest rate on agricultural loans reported by the Federal Land Bank Association of Spokane, Washington (11.085 percent) plus the effective tax rate. The effective tax rate is calculated by dividing the average tax liability per acre of agricultural land by the average taxable value per acre of agricultural land. The derivation is:

$$(1)\quad t = \frac{L}{V}$$

$$(2)\quad L = \frac{\text{Total Ag Land Property Taxes}}{\text{Total Acres}}$$

$$(3)\quad V = \frac{Y}{(t + r)}$$

Where:

t = effective tax rate,
L = average tax liability per acre[3] = .896,
V = average taxable value per acre,
Y = average income per acre[4] = 4.602,
r = interest rate = .11085.

Solving for V in Equation (1) above, equating with (3), and solving for t yields:

$$t = \frac{Lr}{Y - L}$$

$$t = \frac{(.896)(.11085)}{(4.602)-(.896)}$$

$$t = .0268$$

Given the effective tax rate is 2.68 percent, the capitalization rate as mandated in 15-7-201, MCA is equal to 11.085 + 2.68 or 13.765 percent.

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[3]The average tax liability per acre is calculated as the total number of agricultural acres divided into total agricultural land property taxes. Based on information from the Montana Department of Revenue, the total agricultural land in Montana is 50,417,997 acres. Total agricultural land property taxes are $45,152,203. On average, then, the tax liability of agricultural land in Montana is $0.896 per acre.

[4]The average income per acre is calculated as a weighted average of income across all grades and classes of land.

Adjustments in Irrigated Land Classes (crop rotation and growing season)

The adjusted assessed value is calculated as outlined above for all classes of land except Class 2 and Class 3 irrigated lands. The adjusted assessed value for Class 2 land is calculated as 90 percent of the value for Class 1 land; Class 3 land is 80 percent of the value for Class 1. These adjustments reflect the judgement of the Committee on the three classes of land based on productivity. Among other things, productivity includes climatic conditions, soil fertility, and possible crops that can be grown. In cases where the adjusted assessed value is less than $5 per acre, the value is assumed to be $5. The minimum adjusted assessed value under both the revised system recommended by the Committee and the mandated revised system is, thus, $5 per acre.

Taxable Value

The taxable value[5] is calculated by multiplying the assessed value by the taxable rate. The Committee recommends that the taxable rate be reduced from its current level of 30% to 3.86%, consistent with the taxable rate for residential, commercial, and industrial property for the recommended system.[6]

To illustrate the impact of the recommendation, consider Class 5, Grade 3 land (grazing land, 1 AUM per 3.25 acres — the class containing the most acres of land). The current assessed value is $3.72 per acre, which when multiplied by the taxable rate of 30% yields the current taxable value of $1.12. The recommended adjusted assessed value is $32.96 per acre, which when multiplied by the taxable rate of 3.86% yields an adjusted taxable value of $1.27. The relative change in taxable value is the adjusted taxable value divided by the current taxable value, or in this case.

$$\text{Relative Change} = \frac{1.27}{1.12} - 1 = .13$$

The relative change of .13 means that the taxable value increased by 13% for this land category under the recommended system.[7]

Table 4 summarizes the average prices, capitalization rate, and taxable value used in calculating the adjusted values as recommended by the Committee and as mandated by the Legislature.

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[5]The mill levy is multiplied by the taxable value to calculate the tax liability.

[6]15-7-201, MCA provides no guidance on the appropriate taxable rate so the current taxable rate of .3 was used to calculate the taxable value under the mandated system.

[7]Various tables in this report show a relative change of 14% for Grade 5, Class 3 land. The difference is due to rounding.

TABLE 4. AVERAGE PRICES AND CAPITALIZATION RATE

	Recommended	15-7-201, MCA
Price of Hay	55.52	51.06
Price of Wheat (effective)	3.89	3.90
Grazing Fee	9.14	9.11
Capitalization Rate	6.40%	13.765%
Taxable Rate	3.86%	30%

Discussion of Results

This section discusses the results using a capitalization rate of 6.4 percent and a seven-year Olympic price average as recommended by the Agricultural Advisory Committee. These results are presented in Appendix Tables 1 through 7. Combining the seven-year Olympic average, as discussed previously, with the taxable rate of 3.86, results in the aggregate taxable value of agricultural land being equal to the aggregate taxable value of land under the current system[8]. A 13.765 percent capitalization rate and three-year price average were used to develop the revised system as mandated by 15-7-201 MCA, and the results are listed in Appendix Tables 8 through 14. The taxable values under the mandated system are substantially increased from their current values (note relative changes). Thus, Appendix Tables 8 through 14 are provided for informational purposes and are not viewed, as they stand, as a reasonable alternative.

Table 5 allows comparisons between the current schedules and the recommended schedules (for example, class and grade). The most dramatic increases in taxable values occur in the irrigated land classes (Class 1-3) and continuously-cropped hayland (Class 6). Those receiving the largest reductions in taxable values are the more productive non-irrigated summer fallow farmland (Class 4), non-irrigated continuously-cropped farmland (Class 7), and to a lesser extent the more productive grazing land (Class 5). Table 6 features the recommended and mandated (MCA 15-7-201) schedules for various land classes and grades. In all cases, the taxable value is higher for the mandatory than the recommended. The total taxable value of all agricultural land under the recommended system is equal to the total under the current schedules. The total taxable value under the mandated system averages about 258% greater than either the current schedules or the recommended system.

[8]As mentioned in an earlier footnote, the distribution of redefined water costs is not known. As a result, it is not possible to determine whether the total taxable value under the recommended system is exactly equal to the current system. However, the Committee believes that the recommended system results in a total taxable value within 1% of the current system.

TABLE 5. EXAMPLES OF CURRENT AND RECOMMENDED SCHEDULES

Class	Grade	Yield	Current		Recommended		Relative Change in Taxable Value
			Assessed Value	Taxable Value	Assessed Value*	Taxable Value	
1	2	3.70	45.44	13.63	607.13	23.44	0.72
1	5	2.20	18.43	5.53	281.81	10.88	0.97
2	2	3.70	35.00	10.50	546.41	21.09	1.01
2	5	2.20	15.81	4.74	253.63	9.79	1.06
3	2	3.70	28.47	8.54	485.70	18.75	1.20
3	5	2.20	13.82	4.15	225.45	8.70	1.10
4	1A5	34.50	61.37	18.41	262.12	10.12	-0.45
4	2B	18.50	19.17	5.75	140.56	5.43	-0.06
4	3B	12.50	9.44	2.83	94.97	3.67	0.29
5	1A	8.00	20.51	6.15	133.89	5.17	-0.16
5	3	32.50	3.72	1.12	32.96	1.27	0.14
5	5	77.50	1.47	0.44	13.82	0.53	0.21
6	4	1.70	29.43	8.83	368.69	14.23	0.61
6	6	0.70	10.05	3.02	151.81	5.86	0.94
7	1A2	40.50	108.17	32.45	615.41	23.75	-0.27
7	6	24.50	42.96	12.89	372.29	14.37	0.12

Note: (1) All irrigated land (Classes 1, 2 and 3) used a water cost of $12.50, and (2) Classes 1-3 and 6 yields are tons of hay per acre; Classes 4 and 7 yields are bushels of wheat per acre; and Class 5 is acres per AUM of grazing. Class 1 comprises less than 1%, Class 2 comprises less than 1%, Class 3 comprises 1.5%, Class 4 comprises 24%, Class 5 comprises 71%, Class 6 comprises 2%, and Class 7 comprises less than 1% of the agricultural land in Montana.

* Interpolated from current schedules.

TABLE 6. EXAMPLES OF MANDATED AND RECOMMENDED SCHEDULES

Class	Grade	Yield	Mandated (MCA 15-7-201)		Recommended	
			Assessed Value	Taxable Value	Assessed Value*	Taxable Value
1	2	3.70	252.31	75.69	607.13	23.44
1	5	2.20	113.21	33.96	281.81	10.88
2	2	3.70	227.08	68.12	546.41	21.09
2	5	2.20	101.89	30.57	253.63	9.79
3	2	3.70	201.85	60.55	485.70	18.75
3	5	2.20	90.57	27.17	225.45	8.70
4	1A5	34.50	122.18	36.66	262.12	10.12
4	2B	18.50	65.52	19.66	140.56	5.43
4	3B	12.50	44.27	13.28	94.97	3.67
5	1A	8.00	62.05	18.61	133.89	5.17
5	3	32.50	15.27	4.58	32.96	1.27
5	5	77.50	6.40	1.92	13.82	0.53
6	4	1.70	157.65	47.29	368.69	14.23
6	6	0.70	64.91	19.47	151.81	5.86
7	1A2	40.50	286.87	86.06	615.41	23.75
7	6	24.50	173.54	52.06	372.29	14.37

Note: (1) All irrigated land (Classes 1, 2 and 3) used a water cost of $12.50, and (2) Classes 1-3 and 6 yields are tons of hay per acre; Classes 4 and 7 yields are bushels of wheat per acre; and Class 5 is acres per AUM of grazing. Class 1 comprises less than 1%, Class 2 comprises less than 1%, Class 3 comprises 1.5%, Class 4 comprises 24%, Class 5 comprises 71%, Class 6 comprises 2%, and Class 7 comprises less than 1% of the agricultural land in Montana.

* Interpolated from current schedules.

VI. SUMMARY OF RECOMMENDATIONS

Primary Recommendations

The following changes are recommended by the Committee (which may not be consistent with MCA 15-7-201) to incorporate the desired level of stability and make the system of agricultural land taxation fairer, simple, and administratively feasible.

1. The assessed value of agricultural land should be determined by capitalizing the rental value of the land.
2. Rental value should be determined as 1/4 cropshare on all cropland.
3. Prices and grazing fees should be based on a seven-year Olympic historical average (with farm program considerations incorporated and hay prices and grazing fees adjusted, as discussed previously).
4. Water costs due to energy and labor costs should be deducted from the rental value prior to determining assessed value.
5. The water cost categories should be modified to account for higher costs.
6. The capitalization rate should be 6.4 percent.
7. The taxable rate should be reduced to 3.86 percent.

The Committee views these recommendations as a package to be considered in their entirety. The Committee is not offering these recommendations as a "pick and choose menu" where individual recommendations are selectively chosen or rejected.

These adjustments are intended to result in a statewide total taxable value of agricultural land equal to that under the current system. However, the Committee realizes the impacts may vary across tax districts and that a "phase in" period may be desirable.

Miscellaneous Recommendations

The Committee has reviewed the schedules, guidelines and Agricultural Land Classification manual adopted by the Department of Revenue. The Department has adopted approaches to the valuation of specific types of crops only common to certain areas of the state. The Committee recommends the following guidelines for valuation of those crops.

Cultivated Christmas Tree Farms

The following criteria should be met for acreage to be classified as a bona fide Christmas tree farm:

1. All trees must be cultivated or be under accepted, proven husbandry practices, and
2. All trees must be sheared on a regular basis, and
3. The acreage must contain a minimum of 2,000 trees.

If all criteria are met, the land classification for acreage that has been designated as a bona fide "Christmas Tree Farm" should be Grade 1A4 — Non-irrigated continuously-cropped farmland.

Cherry Tree Orchards

The land classification for acreage that has been designated as "Cherry Tree Orchard" land should be Grade 1A4 — Non-irrigated continuously-cropped farmland.

Irrigated Land

The following criteria should be met for acreage to be classified as "Irrigated Land:"

1. The land must be irrigated a majority of the time, and
2. The land must have a reliable source of water.

If all criteria are met, the land classification for any land type, including grazing land, located within or outside of an irrigation district, should be irrigated land.

Exclusion of Improvement Value from Land Value Determination

The crop share lease approach to value used by the Committee does not include the use of improvements located on the land. Any value attributed to the farmstead or other structural improvements has been excluded from the land value determinations.

Irrigated Land Rotations (Minimum, Medium, Maximum)

There are three rotations, each indicative of the cash value achieved from the production of generally-accepted irrigated crops grown in a particular area. As shown below, these rotations are generally differentiated by the variety of crops which can be grown in a particular area (i.e., the options a grower has in rotating various crops on his/her irrigated cropland acreage). The number of frost-free days may influence the extent of options available. However, available cropping options are not limited exclusively by frost-free days.

Minimum Rotation: 90 or less frost-free days. Production from this land would be limited to alfalfa hay and small grains. Growers would not have the option to profitably produce any other crops over a sustained period of years.

Medium Rotation: 91 to 110 frost-free days. Lands are placed in this rotation when the grower has the option of producing a greater variety of crops than listed in the minimum rotation. Growers should be able to produce alfalfa hay, alfalfa seed, small grains, edible beans, sunflowers, safflowers, and potatoes.

Maximum Rotation: 110 or more frost-free days. These lands are capable of producing any crop which can typically be grown in Montana. Examples are all crops grown in minimum and medium rotations and, also, corn for silage, corn for grain, and sugar beets.

Climatological data should be utilized to assist appraisers in placing irrigated land into the proper rotation.

Speculative and Investment Lands

The Committee acknowledges that Montana currently classifies for tax purposes all of its lands into four broad categories, namely: "Residential," "Commercial," and "Forestry," with everything else being classified as "Agriculture."

The Legislature has further deemed that all lands classified as "Agriculture" are to be taxed based upon the value of their agricultural productivity.

The Committee is aware of large portions of lands now in the "Agriculture" category that are being bought and sold for reasons other than for their agricultural productivity. These speculative and investment lands are largely owned because of their unique recreational, wilderness, scenic and environmental qualities, and their valuation is more akin to fine art and jewelry, rather than farms and ranches.

The Committee recommends that the legislature further study the proper taxation of speculative and investment lands, and consider removing these lands from the "Agriculture" categories.

Phase In

The Committee recommends that these adjustments to taxable values be phased into effect. On January 1, 1994, 50% of the recommended change in taxable value would occur. At the beginning of the subsequent reappraisal cycle, which is January 1, 1997, the remaining 50% adjustment would go into effect. For example, the current taxable value of one acre of Class 4, Grade 1A5 land is $18.41 and the recommended taxable value is $10.12. On January 1, 1994, the taxable value would be $14.26 per acre and then become $10.12 per acre on January 1, 1997.

Water Costs

The Committee encourages further discussion and analysis of the appropriate water costs to deduct in determining assessed value prior to effectuating the last 50% taxable value adjustment.

15-7-201. (Temporary -- applicable to 1986 land valuation schedules) Legislative intent -- value of agricultural property. (1) Since the market value of many agricultural properties is based upon speculative purchases which do not reflect the productive capability of agricultural land, it is the legislative intent that bona fide agricultural properties shall be classified and assessed at a value that is exclusive of values attributed to urban influences or speculative purposes.

(2) Agricultural land shall be classified according to its use, which classifications shall include but not be limited to irrigated use, nonirrigated use, and grazing use. Within each class, land shall be assessed at a value that is fairly based on its ability to produce, taking into consideration the classification system in existence on January 1, 1986, provided, however, the department may consolidate tillable irrigated land classes. With relation to irrigated land, water costs shall be taken into consideration, except at no time may the resulting value of irrigated land be reduced below the value such land would have if it were not irrigated.

(3) Capital costs, such as improved water distribution, fertilizer, and land shaping that increase productivity, shall not be used in determining assessed values.

15-7-201. * (Applicable to 1993 land valuation schedules) Legislative intent -- value of agricultural property. (1) Since the market value of many agricultural properties is based upon speculative purchases which do not reflect the productive capability of agricultural land, it is the legislative intent that bona fide agricultural properties shall be classified and assessed at a value that is exclusive of values attributed to urban influences or speculative purposes.

(2) Agricultural land shall be classified according to its use, which classifications shall include but not be limited to irrigated use, nonirrigated use, and grazing use.

(3) Within each class, land shall be assessed at a value that is fairly based on its productive capacity.

(4) In computing the agricultural land valuation schedules to take effect on the date that the revaluation cycle commencing January 2, 1986, takes effect pursuant to 15-7-111 and, thereafter, on the effective date when each revaluation cycle takes effect, the department of revenue shall determine the productive capacity value of all agricultural lands using the formula V = I/R where:

(a) V is the per-acre productive capacity value of agricultural land in each land use and production category;

(b) I is the per-acre net income of agricultural land in each land use and production category and is to be determined by the department using the formula I = (P - C) U where:

(i) I is the per-acre net income;

(ii) P is the per-unit price of the commodity being produced;

(iii) C is the per-unit production cost of the commodity being produced; and

(iv) U is the yield in units per acre; and

(c) R is the capitalization rate to be determined by the department as provided in subsection (9).

(5) Net income shall be:

(a) calculated for each year of a base period, which is the most recent 3-year period for which data are available, prior to a revaluation of property as provided in 15-7-111; and

(b) based on commodity price and production cost data for the base period from such sources as may be considered appropriate by the department, which sources shall include Montana state university.

(6) To the degree available, the department shall compile:

(a) commodity price data reflecting the average prices received per unit of measure by Montana farmers and ranchers. Such data may be obtained from all geographical areas of the state. Commodity prices may include wheat, barley, alfalfa hay, grass hay, corn for grain, corn for silage, sugar beets, dry beans, potatoes, cattle, and sheep. Government payments may be considered. Typical rental arrangements may be considered.

(b) production cost data reflecting average costs per unit of measure paid by Montana farmers and ranchers. Such data may be obtained from all geographical areas of the state. Such production costs may include costs relating to irrigation, fertilization, fuel, seed, weed control, hired labor, management, insurance, repairs and maintenance, and miscellaneous items. Variations in specific production cost data, when affected by different levels of production, and typical rental arrangements may be considered.

(7) The department shall appoint an advisory committee of persons knowledgeable in agriculture and agricultural economics to review the data prepared by Montana state university and advise the department on the implementation of subsections (2) through (6). The advisory committee shall include one member of the Montana state university staff.

(8) Net income shall be determined separately for lands in irrigated use, nonirrigated use, and grazing use and shall be calculated for each use and production level according to the provisions of subsections (4) through (7).

(9) The capitalization rate shall be calculated for each year of the base period and is the annual average interest rate on agricultural loans as reported by the federal land bank association of Spokane, Washington, plus the effective tax rate in Montana.

(10) The effective tax rate shall be calculated by the department for each year of the base period by dividing the total estimated tax due on agricultural land in the state by the total productive capacity value of agricultural land in the state.

* The July, 1992, Special Session of the Montana Legislature enacted House Bill 52 which makes this section applicable in 1994.

Appendix A

DEPARTMENT OF REVENUE
AGRICULTURAL LAND ADVISORY
COMMITTEE MEMBERS

Larry Anderson
Chester, MT 59522
406/456-3381

Senator Tom Beck
651 Greenhouse Road
Deer Lodge, MT 59722
406/846-2452

David Bliss
Sollid Route
Conrad, MT 59425
406/278-7583

Al Evans
4300 Highway 87 South
Roundup, MT 59072
406/323-2888

Representative Marion Hanson
Box 237
Ashland, MT 59003
406/784-2357

Les Hirsch, Chair
Tongue River Stage Route
Miles City, MT 59301
406/421-5424

Robert Lenhardt
4345 King Avenue West
Billings, MT 59106
406/656-3183

Ed Leuthold
2315 Poly Drive
Billings, MT 59102
406/656-5782

Ted Underdahl
Ledger, MT 59456
406/627-2241

Myles Watts
Agricultural Economics & Economics
306 Linfield Hall
Montana State University
Bozeman, MT 59717
406/994-3701

John Witt
Star Route, Box 30
Carter, MT 59420
406/734-5451 or
406/622-3631 (Courthouse)

Appendix B

The productive value of land is the discounted present value of the expected stream of annual returns from the land. This relationship can be expressed as:

(1) $$V = \sum_{t=1}^{n} \frac{R_t}{(1+r)^t} = \frac{R_1}{(1+r)} + \frac{R_2}{(1+r)^2} + \ldots + \frac{R_n}{(1+r)^n}$$

where:
- V = productive value of land,
- R = expected annual real returns from the land,
- r = interest rate (no inflation),
- t = year in which the return is received,
- n = number of years returns are received.

If there is general inflation, two changes must be made to the valuation formula specified by Equation (1). First, the rise in annual returns due to inflation is included. Second, the interest rate will include an inflation component to reimburse lenders so that returns received in the future are now worth less in terms of their purchasing power. Because the interest rate includes an inflation component, it is measured in nominal terms. Irving Fisher has shown that the nominal interest rate (i) in this case is equal to $(1 + r)(1 + g) - 1$, where g is the rate of inflation.

Making both of these changes for general price inflation, the valuation formula becomes:

$$V = \sum_{t=1}^{n} \frac{R_t(1+g)^t}{(1+i)^t} = \frac{R_1(1+g)}{(1+i)} + \frac{R_2(1+g)^2}{(1+i)^2} + \ldots + \frac{R_n(1+g)^n}{(1+i)^n}$$

where: i = nominal interest rate

Substituting for $i = (1 + r)(1 + g) - 1$,

$$V = \sum_{t=1}^{n} \frac{R_t(1+g)^t}{\left[(1+r)(1+g)\right]^k} = \frac{R_1(1+g)}{(1+r)(1+g)} + \frac{R_2(1+g)^2}{\left[(1+r)(1+g)\right]^2} + \ldots + \frac{R_n(1+g)^n}{\left[(1+r)(1+g)\right]^n}$$

Since the expression $(1 + g)^t$ appears in the numerators and denominators, the expressions cancel and the equation can be further reduced to:

(2) $$V = \sum_{t=1}^{n} \frac{R_t}{(1+r)^t} = \frac{R_1}{(1+r)} + \frac{R_2}{(1+r)^2} + \ldots + \frac{R_n}{(1+r)^n}$$

Note that Equation (2) is identical to Equation (1). The land valuation formula, therefore, does not change as a result of general price inflation. The market value of land is still the discounted present value of the expected stream of annual returns from the land where the annual returns from the land and the interest rate are measured in real terms.

When the returns to land are constant into perpetuity, the valuation formula can be simplified further. If R is the same in each year into perpetuity, Equation (1) can be written as:

$$(3) \qquad V = R \sum_{t=1}^{n} \frac{1}{(1+r)^t} = R \left[\frac{1}{(1+r)} + \frac{1}{(1+r)^2} + \ldots + \frac{1}{(1+r)^n} \right]$$

Multiplying by $\frac{1}{(1+r)}$,

$$(4) \qquad \frac{V}{(1+r)} = R \left[\frac{1}{(1+r)^2} + \frac{1}{(1+r)^3} + \ldots + \frac{1}{(1+r)^{n+1}} \right]$$

Subtracting (4) from (3),

$$\frac{Vr}{(1+r)} = R \left[\frac{1}{(1+r)} - \frac{1}{(1+r)^{n+1}} \right]$$

Multiplying both sides by $(1 + r)$,

$$Vr = R \left[1 - \frac{1}{(1+r)^n} \right]$$

Dividing through by r,

$$V = \frac{R}{r} \left[1 - \frac{1}{(1+r)^n} \right]$$

When land yields returns into perpetuity, n is very large and $V = \frac{R}{r}$.

In other words, the productive value of a parcel of land with a constant stream of annual returns into perpetuity is equal to the annual return divided by the interest rate. This is the capitalized value of earnings approach to valuing land. It assumes the returns to land and the interest rate are constant into perpetuity and measured in real terms.

APPENDIX TABLE 1. *CLASS 1*: MAXIMUM ROTATION IRRIGATED LANDS (Recommended)

Grade	Water Cost	Yield	Current		Adjusted*		Relative Change in Taxable Value
			Assessed Value	Taxable Value	Assessed Value**	Taxable Value	
1A	2.50	4.70	100.40	30.12	980.25	37.84	0.26
1A	7.50	4.70	67.07	20.12	902.13	34.82	0.73
1A	12.50	4.70	63.74	19.12	824.00	31.81	0.66
1A	17.50	4.70	63.74	19.12	745.88	28.79	0.51
1A	22.50	4.70	63.74	19.12	667.75	25.78	0.35
1A	27.50	4.70	63.74	19.12	589.63	22.76	0.19
1A	32.50	4.70	63.74	19.12	511.50	19.74	0.03
1B	2.50	4.20	86.12	25.84	871.81	33.65	0.30
1B	7.50	4.20	57.52	17.26	793.69	30.64	0.78
1B	12.50	4.20	54.68	16.40	715.56	27.62	0.68
1B	17.50	4.20	54.68	16.40	637.44	24.61	0.50
1B	22.50	4.20	54.68	16.40	559.31	21.59	0.32
1B	27.50	4.20	54.68	16.40	481.19	18.57	0.13
1B	32.50	4.20	54.68	16.40	403.06	15.56	-0.05
2	2.50	3.70	71.58	21.47	763.38	29.47	0.37
2	7.50	3.70	47.82	14.35	685.25	26.45	0.84
2	12.50	3.70	45.44	13.63	607.13	23.44	0.72
2	17.50	3.70	45.44	13.63	529.00	20.42	0.50
2	22.50	3.70	45.44	13.63	450.88	17.40	0.28
2	27.50	3.70	45.44	13.63	372.75	14.39	0.06
2	32.50	3.70	45.44	13.63	294.63	11.37	-0.17
3	2.50	3.20	57.93	17.38	654.94	25.28	0.45
3	7.50	3.20	38.70	11.61	576.81	22.26	0.92
3	12.50	3.20	36.70	11.01	498.69	19.25	0.75
3	17.50	3.20	36.70	11.01	420.56	16.23	0.47
3	22.50	3.20	36.70	11.01	342.44	13.22	0.20
3	27.50	3.20	36.70	11.01	264.31	10.20	-0.07
3	32.50	3.20	36.70	11.01	186.19	7.19	-0.35
4	2.50	2.70	44.13	13.24	546.50	21.09	0.59
4	7.50	2.70	29.48	8.84	468.38	18.08	1.04
4	12.50	2.70	28.08	8.42	390.25	15.06	0.79
4	17.50	2.70	28.08	8.42	312.13	12.05	0.43
4	22.50	2.70	28.08	8.42	234.00	9.03	0.07
4	27.50	2.70	28.08	8.42	155.88	6.02	-0.29
4	32.50	2.70	28.08	8.42	77.75	3.00	-0.64
5	2.50	2.20	29.03	8.71	438.06	16.91	0.94
5	7.50	2.20	19.38	5.81	359.94	13.89	1.39
5	12.50	2.20	18.43	5.53	281.81	10.88	0.97
5	17.50	2.20	18.43	5.53	203.69	7.86	0.42
5	22.50	2.20	18.43	5.53	125.56	4.85	-0.12
5	27.50	2.20	18.43	5.53	47.44	1.83	-0.67
5	32.50	2.20	18.43	5.53	5.00	0.19	-0.97
6	2.50	1.70	18.07	5.42	329.63	12.72	1.35
6	7.50	1.70	12.07	3.62	251.50	9.71	1.68
6	12.50	1.70	11.47	3.44	173.38	6.69	0.94
6	17.50	1.70	11.47	3.44	95.25	3.68	0.07
6	22.50	1.70	11.47	3.44	17.13	0.66	-0.81
6	27.50	1.70	11.47	3.44	5.00	0.19	-0.94
6	32.50	1.70	11.47	3.44	5.00	0.19	-0.94
7	2.50	1.20	10.34	3.10	221.19	8.54	1.75
7	7.50	1.20	6.89	2.07	143.06	5.52	1.67
7	12.50	1.20	6.57	1.97	64.94	2.51	0.27
7	17.50	1.20	6.57	1.97	5.00	0.19	-0.90
7	22.50	1.20	6.57	1.97	5.00	0.19	-0.90
7	27.50	1.20	6.57	1.97	5.00	0.19	-0.90
7	32.50	1.20	6.57	1.97	5.00	0.19	-0.90
8	2.50	0.50	4.14	1.24	69.38	2.68	1.16
8	7.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	12.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	17.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	22.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	27.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	32.50	0.50	3.06	0.92	5.00	0.19	-0.79

* The adjusted value is based on a seven-year (1983-1989) Olympic average price of hay equal to 69.40 x .80 and a capitalization rate of 6.4%. Yield is tons of hay per acre.
** Interpolated from current schedules.

APPENDIX TABLE 2. *CLASS 2*: MEDIUM ROTATION IRRIGATED LANDS (Recommended)

Grade	Water Cost	Yield	Current		Adjusted*		Relative Change in Taxable Value
			Assessed Value	Taxable Value	Assessed Value**	Taxable Value	
1A	2.50	4.70	87.26	26.18	882.23	34.05	0.30
1A	7.50	4.70	53.94	16.18	811.91	31.34	0.94
1A	12.50	4.70	50.60	15.18	741.60	28.63	0.89
1A	17.50	4.70	50.60	15.18	671.29	25.91	0.71
1A	22.50	4.70	50.60	15.18	600.98	23.20	0.53
1A	27.50	4.70	50.60	15.18	530.66	20.48	0.35
1A	32.50	4.70	50.60	15.18	460.35	17.77	0.17
1B	2.50	4.20	73.32	22.00	784.63	30.29	0.38
1B	7.50	4.20	45.32	13.60	714.32	27.57	1.03
1B	12.50	4.20	42.52	12.76	644.01	24.86	0.95
1B	17.50	4.20	42.52	12.76	573.69	22.14	0.74
1B	22.50	4.20	42.52	12.76	503.38	19.43	0.52
1B	27.50	4.20	42.52	12.76	433.07	16.72	0.31
1B	32.50	4.20	42.52	12.76	362.76	14.00	0.10
2	2.50	3.70	60.35	18.11	687.04	26.52	0.46
2	7.50	3.70	37.30	11.19	616.73	23.81	1.13
2	12.50	3.70	35.00	10.50	546.41	21.09	1.01
2	17.50	3.70	35.00	10.50	476.10	18.38	0.75
2	22.50	3.70	35.00	10.50	405.79	15.66	0.49
2	27.50	3.70	35.00	10.50	335.48	12.95	0.23
2	32.50	3.70	35.00	10.50	265.16	10.24	-0.03
3	2.50	3.20	48.36	14.51	589.44	22.75	0.57
3	7.50	3.20	29.89	8.97	519.13	20.04	1.23
3	12.50	3.20	28.04	8.41	448.82	17.32	1.06
3	17.50	3.20	28.04	8.41	378.51	14.61	0.74
3	22.50	3.20	28.04	8.41	308.19	11.90	0.41
3	27.50	3.20	28.04	8.41	237.88	9.18	0.09
3	32.50	3.20	28.04	8.41	167.57	6.47	-0.23
4	2.50	2.70	37.33	11.20	491.85	18.99	0.70
4	7.50	2.70	23.07	6.92	421.54	16.27	1.35
4	12.50	2.70	21.65	6.49	351.23	13.56	1.09
4	17.50	2.70	21.65	6.49	280.91	10.84	0.67
4	22.50	2.70	21.65	6.49	210.60	8.13	0.25
4	27.50	2.70	21.65	6.49	140.29	5.42	-0.17
4	32.50	2.70	21.65	6.49	69.98	2.70	-0.58
5	2.50	2.20	27.26	8.18	394.26	15.22	0.86
5	7.50	2.20	16.85	5.06	323.94	12.50	1.47
5	12.50	2.20	15.81	4.74	253.63	9.79	1.06
5	17.50	2.20	15.81	4.74	183.32	7.08	0.49
5	22.50	2.20	15.81	4.74	113.01	4.36	-0.08
5	27.50	2.20	15.81	4.74	42.69	1.65	-0.65
5	32.50	2.20	15.81	4.74	5.00	0.19	-0.96
6	2.50	1.70	18.07	5.42	296.66	11.45	1.11
6	7.50	1.70	12.07	3.62	226.35	8.74	1.41
6	12.50	1.70	11.47	3.44	156.04	6.02	0.75
6	17.50	1.70	11.47	3.44	85.73	3.31	-0.04
6	22.50	1.70	11.47	3.44	15.41	0.59	-0.83
6	27.50	1.70	11.47	3.44	5.00	0.19	-0.94
6	32.50	1.70	11.47	3.44	5.00	0.19	-0.94
7	2.50	1.20	10.35	3.10	199.07	7.68	1.47
7	7.50	1.20	6.90	2.07	128.76	4.97	1.40
7	12.50	1.20	6.57	1.97	58.44	2.26	0.14
7	17.50	1.20	6.57	1.97	5.00	0.19	-0.90
7	22.50	1.20	6.57	1.97	5.00	0.19	-0.90
7	27.50	1.20	6.57	1.97	5.00	0.19	-0.90
7	32.50	1.20	6.57	1.97	5.00	0.19	-0.90
8	2.50	0.50	4.14	1.24	62.44	2.41	0.94
8	7.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	12.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	17.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	22.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	27.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	32.50	0.50	3.06	0.92	5.00	0.19	-0.79

* The adjusted value is based on a seven-year (1983-1989) Olympic average price of hay equal to 69.40 x .80 and a capitalization rate of 6.4%. Yield is tons of hay per acre.
** Interpolated from current schedules.

APPENDIX TABLE 3. *CLASS 3*: MINIMUM ROTATION IRRIGATED LANDS (Recommended)

Grade	Water Cost	Yield	Current		Adjusted*		Relative Change in Taxable Value
			Assessed Value	Taxable Value	Assessed Value**	Taxable Value	
1A	2.50	4.70	76.26	22.88	784.20	30.27	0.32
1A	7.50	4.70	42.94	12.88	721.70	27.86	1.16
1A	12.50	4.70	39.60	11.88	659.20	25.45	1.14
1A	17.50	4.70	39.60	11.88	596.70	23.03	0.94
1A	22.50	4.70	39.60	11.88	534.20	20.62	0.74
1A	27.50	4.70	39.60	11.88	471.70	18.21	0.53
1A	32.50	4.70	39.60	11.88	409.20	15.80	0.33
1B	2.50	4.20	65.28	19.58	697.45	26.92	0.37
1B	7.50	4.20	36.75	11.03	634.95	24.51	1.22
1B	12.50	4.20	33.90	10.17	572.45	22.10	1.17
1B	17.50	4.20	33.90	10.17	509.95	19.68	0.94
1B	22.50	4.20	33.90	10.17	447.45	17.27	0.70
1B	27.50	4.20	33.90	10.17	384.95	14.86	0.46
1B	32.50	4.20	33.90	10.17	322.45	12.45	0.22
2	2.50	3.70	54.82	16.45	610.70	23.57	0.43
2	7.50	3.70	30.87	9.26	548.20	21.16	1.28
2	12.50	3.70	28.47	8.54	485.70	18.75	1.20
2	17.50	3.70	28.47	8.54	423.20	16.34	0.91
2	22.50	3.70	28.47	8.54	360.70	13.92	0.63
2	27.50	3.70	28.47	8.54	298.20	11.51	0.35
2	32.50	3.70	28.47	8.54	235.70	9.10	0.07
3	2.50	3.20	44.90	13.47	523.95	20.22	0.50
3	7.50	3.20	25.28	7.58	461.45	17.81	1.35
3	12.50	3.20	23.32	7.00	398.95	15.40	1.20
3	17.50	3.20	23.32	7.00	336.45	12.99	0.86
3	22.50	3.20	23.32	7.00	273.95	10.57	0.51
3	27.50	3.20	23.32	7.00	211.45	8.16	0.17
3	32.50	3.20	23.32	7.00	148.95	5.75	-0.18
4	2.50	2.70	35.50	10.65	437.20	16.88	0.58
4	7.50	2.70	20.00	6.00	374.70	14.46	1.41
4	12.50	2.70	18.43	5.53	312.20	12.05	1.18
4	17.50	2.70	18.43	5.53	249.70	9.64	0.74
4	22.50	2.70	18.43	5.53	187.20	7.23	0.31
4	27.50	2.70	18.43	5.53	124.70	4.81	-0.13
4	32.50	2.70	18.43	5.53	62.20	2.40	-0.57
5	2.50	2.20	26.62	7.99	350.45	13.53	0.69
5	7.50	2.20	14.99	4.50	287.95	11.11	1.47
5	12.50	2.20	13.82	4.15	225.45	8.70	1.10
5	17.50	2.20	13.82	4.15	162.95	6.29	0.52
5	22.50	2.20	13.82	4.15	100.45	3.88	-0.06
5	27.50	2.20	13.82	4.15	37.95	1.46	-0.65
5	32.50	2.20	13.82	4.15	5.00	0.19	-0.95
6	2.50	1.70	18.07	5.42	263.70	10.18	0.88
6	7.50	1.70	12.07	3.62	201.20	7.77	1.14
6	12.50	1.70	11.47	3.44	138.70	5.35	0.56
6	17.50	1.70	11.47	3.44	76.20	2.94	-0.15
6	22.50	1.70	11.47	3.44	13.70	0.53	-0.85
6	27.50	1.70	11.47	3.44	5.00	0.19	-0.94
6	32.50	1.70	11.47	3.44	5.00	0.19	-0.94
7	2.50	1.20	10.34	3.10	176.95	6.83	1.20
7	7.50	1.20	6.91	2.07	114.45	4.42	1.13
7	12.50	1.20	6.57	1.97	51.95	2.01	0.02
7	17.50	1.20	6.57	1.97	5.00	0.19	-0.90
7	22.50	1.20	6.57	1.97	5.00	0.19	-0.90
7	27.50	1.20	6.57	1.97	5.00	0.19	-0.90
7	32.50	1.20	6.57	1.97	5.00	0.19	-0.90
8	2.50	0.50	4.42	1.33	55.50	2.14	0.62
8	7.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	12.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	17.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	22.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	27.50	0.50	3.06	0.92	5.00	0.19	-0.79
8	32.50	0.50	3.06	0.92	5.00	0.19	-0.79

* The adjusted value is based on a seven-year (1983-1989) Olympic average price of hay equal to 69.40 x .80 and a capitalization rate of 6.4%. Yield is tons of hay per acre.

** Interpolated from current schedules.

APPENDIX TABLE 4. *CLASS 4*: NON-IRRIGATED SUMMER FALLOW FARMLAND (Recommended)

Grade	Water Cost	Yield	Current		Adjusted*		Relative Change in Taxable Value
			Assessed Value	Taxable Value	Assessed Value**	Taxable Value	
1A8	0.00	40.50	81.08	24.32	307.71	11.88	-0.51
1A7	0.00	38.50	74.51	22.35	292.51	11.29	-0.49
1A6	0.00	36.50	67.94	20.38	277.31	10.70	-0.47
1A5	0.00	34.50	61.37	18.41	262.12	10.12	-0.45
1A4	0.00	32.50	54.80	16.44	246.92	9.53	-0.42
1A3	0.00	30.50	48.60	14.58	231.73	8.94	-0.39
1A2	0.00	28.50	42.79	12.84	216.53	8.36	-0.35
1A1	0.00	26.50	37.31	11.19	201.34	7.77	-0.31
1A	0.00	24.50	32.22	9.67	186.14	7.19	-0.26
1B	0.00	22.50	27.50	8.25	170.95	6.60	-0.20
2A	0.00	20.50	23.15	6.94	155.75	6.01	-0.13
2B	0.00	18.50	19.17	5.75	140.56	5.43	-0.06
2C	0.00	16.50	15.56	4.67	125.36	4.84	0.04
3A	0.00	14.50	12.31	3.69	110.17	4.25	0.15
3B	0.00	12.50	9.44	2.83	94.97	3.67	0.29
4A	0.00	10.50	6.94	2.08	79.78	3.08	0.48
4B	0.00	8.50	4.81	1.44	64.58	2.49	0.73
5	0.00	4.00	3.06	0.92	30.39	1.17	0.28

* The adjusted value is based on a seven-year (1983-1989) Olympic average price of wheat equal to $3.89 and a capitalization rate of 6.4%. Yield is bushels of wheat per acre.
** Interpolated from current schedules.

APPENDIX TABLE 5. *CLASS 5*: GRAZING LAND (Recommended)

Grade	Water Cost	Yield	Current		Adjusted*		Relative Change in Taxable Value
			Assessed Value	Taxable Value	Assessed Value**	Taxable Value	
1A2	0.00	2.00	71.69	21.51	535.55	20.67	-0.04
1A1	0.00	4.00	44.18	13.25	267.77	10.34	-0.22
1AP	0.00	5.50	31.27	9.38	194.74	7.52	-0.20
1A	0.00	8.00	20.51	6.15	133.89	5.17	-0.16
1B	0.00	14.50	10.53	3.16	73.87	2.85	-0.10
2A	0.00	20.00	7.17	2.15	53.55	2.07	-0.04
2B	0.00	24.50	5.42	1.63	43.72	1.69	0.04
3	0.00	32.50	3.72	1.12	32.96	1.27	0.14
4	0.00	46.50	2.52	0.76	23.03	0.89	0.18
5	0.00	77.50	1.47	0.44	13.82	0.53	0.21
6	0.00	125.00	0.82	0.25	8.57	0.33	0.34

* The adjusted value is based on a seven-year (1983-1989) Olympic average of grazing fees equal to $9.14 and a capitalization rate of 6.4%. Yield is acres per animal unit month.
** Interpolated from current schedules.

APPENDIX TABLE 6. *CLASS 6*: CONTINUOUSLY-CROPPED HAYLAND (Recommended)

Grade	Water Cost	Yield	Current		Adjusted*		Relative Change in Taxable Value
			Assessed Value	Taxable Value	Assessed Value**	Taxable Value	
1	0.00	3.00	67.60	20.28	650.63	25.11	0.24
2	0.00	2.70	53.03	15.91	585.56	22.60	0.42
3	0.00	2.20	41.38	12.41	477.13	18.42	0.48
4	0.00	1.70	29.43	8.83	368.69	14.23	0.61
5	0.00	1.20	19.38	5.81	260.25	10.05	0.73
6	0.00	0.70	10.05	3.02	151.81	5.86	0.94
7	0.00	0.25	5.54	1.66	54.22	2.09	0.26

* The adjusted value is based on a seven-year (1983-1989) Olympic average price of hay equal to 69.40 x .80 and a capitalization rate of 6.4%. Yield is tons of hay per acre.
** Interpolated from current schedules.

APPENDIX TABLE 7. *CLASS 7*: NON-IRRIGATED CONTINUOUSLY-CROPPED FARMLAND (Recommended)

Grade	Water Cost	Yield	Current		Adjusted*		Relative Change in Taxable Value
			Assessed Value	Taxable Value	Assessed Value**	Taxable Value	
1A4	0.00	44.50	125.71	37.71	676.19	26.10	-0.31
1A3	0.00	42.50	116.94	35.08	645.80	24.93	-0.29
1A2	0.00	40.50	108.17	32.45	615.41	23.75	-0.27
1A1	0.00	38.50	99.40	29.82	585.02	22.58	-0.24
10	0.00	36.50	90.63	27.19	554.63	21.41	-0.21
1	0.00	34.50	81.86	24.56	524.24	20.24	-0.18
2	0.00	32.50	73.09	21.93	493.85	19.06	-0.13
3	0.00	30.50	64.81	19.44	463.46	17.89	-0.08
4	0.00	28.50	57.05	17.11	433.07	16.72	-0.02
5	0.00	26.50	49.75	14.92	402.68	15.54	0.04
6	0.00	24.50	42.96	12.89	372.29	14.37	0.12
7	0.00	22.50	36.67	11.00	341.89	13.20	0.20
8	0.00	20.50	30.87	9.26	311.50	12.02	0.30
9	0.00	18.50	25.56	7.67	281.11	10.85	0.42
10	0.00	16.60	20.75	6.22	252.24	9.74	0.56
11	0.00	14.50	16.41	4.92	220.33	8.50	0.73
12	0.00	12.50	12.59	3.78	189.94	7.33	0.94
13	0.00	10.50	9.25	2.77	159.55	6.16	1.22
14	0.00	5.00	6.41	1.92	75.98	2.93	0.53

* The adjusted value is based on a seven-year (1983-1989) Olympic average price of wheat equal to $3.89 and a capitalization rate of 6.4%. Yield is bushels of wheat per acre.
** Interpolated from current schedules.

APPENDIX TABLE 8. *CLASS 1*: MAXIMUM ROTATION IRRIGATED LANDS (Mandated)

Grade	Water Cost	Yield	Current		Adjusted*		Relative Change in Taxable Value
			Assessed Value	Taxable Value	Assessed Value**	Taxable Value	
1A	2.50	4.70	100.40	30.12	417.69	125.31	3.16
1A	7.50	4.70	67.07	20.12	381.37	114.41	4.69
1A	12.50	4.70	63.74	19.12	345.05	103.51	4.41
1A	17.50	4.70	63.74	19.12	308.72	92.62	3.84
1A	22.50	4.70	63.74	19.12	272.40	81.72	3.27
1A	27.50	4.70	63.74	19.12	236.07	70.82	2.70
1A	32.50	4.70	63.74	19.12	199.75	59.92	2.13
1B	2.50	4.20	86.12	25.84	371.33	111.40	3.31
1B	7.50	4.20	57.52	17.26	335.00	100.50	4.82
1B	12.50	4.20	54.68	16.40	298.68	89.60	4.46
1B	17.50	4.20	54.68	16.40	262.35	78.71	3.80
1B	22.50	4.20	54.68	16.40	226.03	67.81	3.13
1B	27.50	4.20	54.68	16.40	189.71	56.91	2.47
1B	32.50	4.20	54.68	16.40	153.38	46.01	1.81
2	2.50	3.70	71.58	21.47	324.96	97.49	3.54
2	7.50	3.70	47.82	14.35	288.63	86.59	5.04
2	12.50	3.70	45.44	13.63	252.31	75.69	4.55
2	17.50	3.70	45.44	13.63	215.99	64.80	3.75
2	22.50	3.70	45.44	13.63	179.66	53.90	2.95
2	27.50	3.70	45.44	13.63	143.34	43.00	2.15
2	32.50	3.70	45.44	13.63	107.01	32.10	1.36
3	2.50	3.20	57.93	17.38	278.59	83.58	3.81
3	7.50	3.20	38.70	11.61	242.27	72.68	5.26
3	12.50	3.20	36.70	11.01	205.94	61.78	4.61
3	17.50	3.20	36.70	11.01	169.62	50.89	3.62
3	22.50	3.20	36.70	11.01	133.29	39.99	2.63
3	27.50	3.20	36.70	11.01	96.97	29.09	1.64
3	32.50	3.20	36.70	11.01	60.65	18.19	0.65
4	2.50	2.70	44.13	13.24	232.22	69.67	4.26
4	7.50	2.70	29.48	8.84	195.90	58.77	5.65
4	12.50	2.70	28.08	8.42	159.58	47.87	4.68
4	17.50	2.70	28.08	8.42	123.25	36.98	3.39
4	22.50	2.70	28.08	8.42	86.93	26.08	2.10
4	27.50	2.70	28.08	8.42	50.60	15.18	0.80
4	32.50	2.70	28.08	8.42	14.28	4.28	-0.49
5	2.50	2.20	29.03	8.71	185.86	55.76	5.40
5	7.50	2.20	19.38	5.81	149.53	44.86	6.72
5	12.50	2.20	18.43	5.53	113.21	33.96	5.14
5	17.50	2.20	18.43	5.53	76.88	23.07	3.17
5	22.50	2.20	18.43	5.53	40.56	12.17	1.20
5	27.50	2.20	18.43	5.53	5.00	1.50	-0.73
5	32.50	2.20	18.43	5.53	5.00	1.50	-0.73
6	2.50	1.70	18.07	5.42	139.49	41.85	6.72
6	7.50	1.70	12.07	3.62	103.16	30.95	7.55
6	12.50	1.70	11.47	3.44	66.84	20.05	4.83
6	17.50	1.70	11.47	3.44	30.52	9.15	1.66
6	22.50	1.70	11.47	3.44	5.00	1.50	-0.56
6	27.50	1.70	11.47	3.44	5.00	1.50	-0.56
6	32.50	1.70	11.47	3.44	5.00	1.50	-0.56
7	2.50	1.20	10.34	3.10	93.12	27.94	8.01
7	7.50	1.20	6.89	2.07	56.80	17.04	7.24
7	12.50	1.20	6.57	1.97	20.47	6.14	2.12
7	17.50	1.20	6.57	1.97	5.00	1.50	-0.24
7	22.50	1.20	6.57	1.97	5.00	1.50	-0.24
7	27.50	1.20	6.57	1.97	5.00	1.50	-0.24
7	32.50	1.20	6.57	1.97	5.00	1.50	-0.24
8	2.50	0.50	4.14	1.24	28.21	8.46	5.81
8	7.50	0.50	3.06	0.92	5.00	1.50	0.63
8	12.50	0.50	3.06	0.92	5.00	1.50	0.63
8	17.50	0.50	3.06	0.92	5.00	1.50	0.63
8	22.50	0.50	3.06	0.92	5.00	1.50	0.63
8	27.50	0.50	3.06	0.92	5.00	1.50	0.63
8	32.50	0.50	3.06	0.92	5.00	1.50	0.63

* The adjusted value is based on a three-year (1987-1989) average price of hay equal to 63.83 x .80 and a capitalization rate of 13.765%. Yield is tons of hay per acre.

** Interpolated from current schedules.

APPENDIX TABLE 9. *CLASS 2*: MEDIUM ROTATION IRRIGATED LANDS (Mandated)

Grade	Water Cost	Yield	Current		Adjusted*		Relative Change in Taxable Value
			Assessed Value	Taxable Value	Assessed Value**	Taxable Value	
1A	2.50	4.70	87.26	26.18	375.92	112.78	3.31
1A	7.50	4.70	53.94	16.18	343.23	102.97	5.36
1A	12.50	4.70	50.60	15.18	310.54	93.16	5.14
1A	17.50	4.70	50.60	15.18	277.85	83.35	4.49
1A	22.50	4.70	50.60	15.18	245.16	73.55	3.85
1A	27.50	4.70	50.60	15.18	212.47	63.74	3.20
1A	32.50	4.70	50.60	15.18	179.77	53.93	2.55
1B	2.50	4.20	73.32	22.00	334.19	100.26	3.56
1B	7.50	4.20	45.32	13.60	301.50	90.45	5.65
1B	12.50	4.20	42.52	12.76	268.81	80.64	5.32
1B	17.50	4.20	42.52	12.76	236.12	70.84	4.55
1B	22.50	4.20	42.52	12.76	203.43	61.03	3.78
1B	27.50	4.20	42.52	12.76	170.74	51.22	3.02
1B	32.50	4.20	42.52	12.76	138.04	41.41	2.25
2	2.50	3.70	60.35	18.11	292.46	87.74	3.85
2	7.50	3.70	37.30	11.19	259.77	77.93	5.96
2	12.50	3.70	35.00	10.50	227.08	68.12	5.49
2	17.50	3.70	35.00	10.50	194.39	58.32	4.55
2	22.50	3.70	35.00	10.50	161.70	48.51	3.62
2	27.50	3.70	35.00	10.50	129.00	38.70	2.69
2	32.50	3.70	35.00	10.50	96.31	28.89	1.75
3	2.50	3.20	48.36	14.51	250.73	75.22	4.18
3	7.50	3.20	29.89	8.97	218.04	65.41	6.29
3	12.50	3.20	28.04	8.41	185.35	55.60	5.61
3	17.50	3.20	28.04	8.41	152.66	45.80	4.44
3	22.50	3.20	28.04	8.41	119.97	35.99	3.28
3	27.50	3.20	28.04	8.41	87.27	26.18	2.11
3	32.50	3.20	28.04	8.41	54.58	16.37	0.95
4	2.50	2.70	37.33	11.20	209.00	62.70	4.60
4	7.50	2.70	23.07	6.92	176.31	52.89	6.64
4	12.50	2.70	21.65	6.49	143.62	43.09	5.63
4	17.50	2.70	21.65	6.49	110.93	33.28	4.12
4	22.50	2.70	21.65	6.49	78.23	23.47	2.61
4	27.50	2.70	21.65	6.49	45.54	13.66	1.10
4	32.50	2.70	21.65	6.49	12.85	3.86	-0.41
5	2.50	2.20	27.26	8.18	167.27	50.18	5.14
5	7.50	2.20	16.85	5.06	134.58	40.37	6.99
5	12.50	2.20	15.81	4.74	101.89	30.57	5.44
5	17.50	2.20	15.81	4.74	69.20	20.76	3.38
5	22.50	2.20	15.81	4.74	36.50	10.95	1.31
5	27.50	2.20	15.81	4.74	5.00	1.50	-0.68
5	32.50	2.20	15.81	4.74	5.00	1.50	-0.68
6	2.50	1.70	18.07	5.42	125.54	37.66	5.95
6	7.50	1.70	12.07	3.62	92.85	27.85	6.69
6	12.50	1.70	11.47	3.44	60.16	18.05	4.24
6	17.50	1.70	11.47	3.44	27.46	8.24	1.39
6	22.50	1.70	11.47	3.44	5.00	1.50	-0.56
6	27.50	1.70	11.47	3.44	5.00	1.50	-0.56
6	32.50	1.70	11.47	3.44	5.00	1.50	-0.56
7	2.50	1.20	10.35	3.10	83.81	25.14	7.10
7	7.50	1.20	6.90	2.07	51.12	15.33	6.41
7	12.50	1.20	6.57	1.97	18.42	5.53	1.80
7	17.50	1.20	6.57	1.97	5.00	1.50	-0.24
7	22.50	1.20	6.57	1.97	5.00	1.50	-0.24
7	27.50	1.20	6.57	1.97	5.00	1.50	-0.24
7	32.50	1.20	6.57	1.97	5.00	1.50	-0.24
8	2.50	0.50	4.14	1.24	25.39	7.62	5.13
8	7.50	0.50	3.06	0.92	5.00	1.50	0.63
8	12.50	0.50	3.06	0.92	5.00	1.50	0.63
8	17.50	0.50	3.06	0.92	5.00	1.50	0.63
8	22.50	0.50	3.06	0.92	5.00	1.50	0.63
8	27.50	0.50	3.06	0.92	5.00	1.50	0.63
8	32.50	0.50	3.06	0.92	5.00	1.50	0.63

* The adjusted value is based on a three-year (1987-1989) average price of hay equal to 63.83 x .80 and a capitalization rate of 13.765%. Yield is tons of hay per acre.
** Interpolated from current schedules.

APPENDIX TABLE 10. *CLASS 3*: MINIMUM ROTATION IRRIGATED LANDS (Mandated)

Grade	Water Cost	Yield	Current Assessed Value	Current Taxable Value	Adjusted* Assessed Value**	Adjusted* Taxable Value	Relative Change in Taxable Value
1A	2.50	4.70	76.26	22.88	334.15	100.25	3.38
1A	7.50	4.70	42.94	12.88	305.10	91.53	6.11
1A	12.50	4.70	39.60	11.88	276.04	82.81	5.97
1A	17.50	4.70	39.60	11.88	246.98	74.09	5.24
1A	22.50	4.70	39.60	11.88	217.92	65.38	4.50
1A	27.50	4.70	39.60	11.88	188.86	56.66	3.77
1A	32.50	4.70	39.60	11.88	159.80	47.94	3.04
1B	2.50	4.20	65.28	19.58	297.06	89.12	3.55
1B	7.50	4.20	36.75	11.03	268.00	80.40	6.29
1B	12.50	4.20	33.90	10.17	238.94	71.68	6.05
1B	17.50	4.20	33.90	10.17	209.88	62.96	5.19
1B	22.50	4.20	33.90	10.17	180.82	54.25	4.33
1B	27.50	4.20	33.90	10.17	151.76	45.53	3.48
1B	32.50	4.20	33.90	10.17	122.71	36.81	2.62
2	2.50	3.70	54.82	16.45	259.97	77.99	3.74
2	7.50	3.70	30.87	9.26	230.91	69.27	6.48
2	12.50	3.70	28.47	8.54	201.85	60.55	6.09
2	17.50	3.70	28.47	8.54	172.79	51.84	5.07
2	22.50	3.70	28.47	8.54	143.73	43.12	4.05
2	27.50	3.70	28.47	8.54	114.67	34.40	3.03
2	32.50	3.70	28.47	8.54	85.61	25.68	2.01
3	2.50	3.20	44.90	13.47	222.87	66.86	3.96
3	7.50	3.20	25.28	7.58	193.81	58.14	6.67
3	12.50	3.20	23.32	7.00	164.75	49.43	6.06
3	17.50	3.20	23.32	7.00	135.69	40.71	4.82
3	22.50	3.20	23.32	7.00	106.64	31.99	3.57
3	27.50	3.20	23.32	7.00	77.58	23.27	2.33
3	32.50	3.20	23.32	7.00	48.52	14.56	1.08
4	2.50	2.70	35.50	10.65	185.78	55.73	4.23
4	7.50	2.70	20.00	6.00	156.72	47.02	6.84
4	12.50	2.70	18.43	5.53	127.66	38.30	5.93
4	17.50	2.70	18.43	5.53	98.60	29.58	4.35
4	22.50	2.70	18.43	5.53	69.54	20.86	2.77
4	27.50	2.70	18.43	5.53	40.48	12.14	1.20
4	32.50	2.70	18.43	5.53	11.42	3.43	-0.38
5	2.50	2.20	26.62	7.99	148.68	44.61	4.59
5	7.50	2.20	14.99	4.50	119.63	35.89	6.98
5	12.50	2.20	13.82	4.15	90.57	27.17	5.55
5	17.50	2.20	13.82	4.15	61.51	18.45	3.45
5	22.50	2.20	13.82	4.15	32.45	9.73	1.35
5	27.50	2.20	13.82	4.15	5.00	1.50	-0.64
5	32.50	2.20	13.82	4.15	5.00	1.50	-0.64
6	2.50	1.70	18.07	5.42	111.59	33.48	5.18
6	7.50	1.70	12.07	3.62	82.53	24.75	5.84
6	12.50	1.70	11.47	3.44	53.47	16.04	3.66
6	17.50	1.70	11.47	3.44	24.41	7.32	1.13
6	22.50	1.70	11.47	3.44	5.00	1.50	-0.56
6	27.50	1.70	11.47	3.44	5.00	1.50	-0.56
6	32.50	1.70	11.47	3.44	5.00	1.50	-0.56
7	2.50	1.20	10.34	3.10	74.50	22.35	6.20
7	7.50	1.20	6.91	2.07	45.44	13.63	5.58
7	12.50	1.20	6.57	1.97	16.38	4.91	1.49
7	17.50	1.20	6.57	1.97	5.00	1.50	-0.24
7	22.50	1.20	6.57	1.97	5.00	1.50	-0.24
7	27.50	1.20	6.57	1.97	5.00	1.50	-0.24
7	32.50	1.20	6.57	1.97	5.00	1.50	-0.24
8	2.50	0.50	4.42	1.33	22.56	6.77	4.11
8	7.50	0.50	3.06	0.92	5.00	1.50	0.63
8	12.50	0.50	3.06	0.92	5.00	1.50	0.63
8	17.50	0.50	3.06	0.92	5.00	1.50	0.63
8	22.50	0.50	3.06	0.92	5.00	1.50	0.63
8	27.50	0.50	3.06	0.92	5.00	1.50	0.63
8	32.50	0.50	3.06	0.92	5.00	1.50	0.63

* The adjusted value is based on a three-year (1987-1989) average price of hay equal to 63.83 x .80 and a capitalization rate of 13.765%. Yield is tons of hay per acre.
** Interpolated from current schedules.

APPENDIX TABLE 11. *CLASS 4*: NON-IRRIGATED SUMMER FALLOW FARMLAND (Mandated)

Grade	Water Cost	Yield	Current		Adjusted*		Relative Change in Taxable Value
			Assessed Value	Taxable Value	Assessed Value**	Taxable Value	
1A8	0.00	40.50	81.08	24.32	143.43	43.03	0.77
1A7	0.00	38.50	74.51	22.35	136.35	40.91	0.83
1A6	0.00	36.50	67.94	20.38	129.27	38.78	0.90
1A5	0.00	34.50	61.37	18.41	122.18	36.66	0.99
1A4	0.00	32.50	54.80	16.44	115.10	34.53	1.10
1A3	0.00	30.50	48.60	14.58	108.02	32.41	1.22
1A2	0.00	28.50	42.79	12.84	100.94	30.28	1.36
1A1	0.00	26.50	37.31	11.19	93.85	28.16	1.52
1A	0.00	24.50	32.22	9.67	86.77	26.03	1.69
1B	0.00	22.50	27.50	8.25	79.69	23.91	1.90
2A	0.00	20.50	23.15	6.94	72.60	21.78	2.14
2B	0.00	18.50	19.17	5.75	65.52	19.66	2.42
2C	0.00	16.50	15.56	4.67	58.44	17.53	2.76
3A	0.00	14.50	12.31	3.69	51.35	15.41	3.17
3B	0.00	12.50	9.44	2.83	44.27	13.28	3.69
4A	0.00	10.50	6.94	2.08	37.19	11.16	4.36
4B	0.00	8.50	4.81	1.44	30.10	9.03	5.26
5	0.00	4.00	3.06	0.92	14.17	4.25	3.63

* The adjusted value is based on a three-year (1987-1989) average price of wheat equal to $3.90 and a capitalization rate of 13.765%. Yield is bushels of wheat per acre.
** Interpolated from current schedules.

APPENDIX TABLE 12. *CLASS 5*: GRAZING LAND (Mandated)

Grade	Water Cost	Yield	Current		Adjusted*		Relative Change in Taxable Value
			Assessed Value	Taxable Value	Assessed Value**	Taxable Value	
1A2	0.00	2.00	71.69	21.51	248.18	74.46	2.46
1A1	0.00	4.00	44.18	13.25	124.09	37.23	1.81
1AP	0.00	5.50	31.27	9.38	90.25	27.07	1.89
1A	0.00	8.00	20.51	6.15	62.05	18.61	2.03
1B	0.00	14.50	10.53	3.16	34.23	10.27	2.25
2A	0.00	20.00	7.17	2.15	24.82	7.45	2.46
2B	0.00	24.50	5.42	1.63	20.26	6.08	2.74
3	0.00	32.50	3.72	1.12	15.27	4.58	3.11
4	0.00	46.50	2.52	0.76	10.67	3.20	3.24
5	0.00	77.50	1.47	0.44	6.40	1.92	3.36
6	0.00	125.00	0.82	0.25	5.00	1.50	5.10

* The adjusted value is based on a three-year (1987-1989) average of grazing fees equal to $9.11 and a capitalization rate of 13.765%. Yield is acres per animal unit month.
** Interpolated from current schedules.

APPENDIX TABLE 13. *CLASS 6*: CONTINUOUSLY-CROPPED HAYLAND (Mandated)

Grade	Water Cost	Yield	Current Assessed Value	Current Taxable Value	Adjusted* Assessed Value**	Adjusted* Taxable Value	Relative Change in Taxable Value
1	0.00	3.00	67.60	20.28	278.21	83.46	3.12
2	0.00	2.70	53.03	15.91	250.39	75.12	3.72
3	0.00	2.20	41.38	12.41	204.02	61.21	3.93
4	0.00	1.70	29.43	8.83	157.65	47.29	4.36
5	0.00	1.20	19.38	5.81	111.28	33.38	4.74
6	0.00	0.70	10.05	3.02	64.91	19.47	5.46
7	0.00	0.25	5.54	1.66	23.18	6.96	3.18

* The adjusted value is based on a three-year (1987-1989) average price of hay equal to 63.83 x .80 and a capitalization rate of 13.765%. Yield is tons of hay per acre.
** Interpolated from current schedules.

APPENDIX TABLE 14. *CLASS 7*: NON-IRRIGATED CONTINUOUSLY-CROPPED FARMLAND (Mandated)

Grade	Water Cost	Yield	Current Assessed Value	Current Taxable Value	Adjusted* Assessed Value**	Adjusted* Taxable Value	Relative Change in Taxable Value
1A4	0.00	44.50	125.71	37.71	315.20	94.56	1.51
1A3	0.00	42.50	116.94	35.08	301.04	90.31	1.57
1A2	0.00	40.50	108.17	32.45	286.87	86.06	1.65
1A1	0.00	38.50	99.40	29.82	272.70	81.81	1.74
10	0.00	36.50	90.63	27.19	258.54	77.56	1.85
1	0.00	34.50	81.86	24.56	244.37	73.31	1.99
2	0.00	32.50	73.09	21.93	230.20	69.06	2.15
3	0.00	30.50	64.81	19.44	216.04	64.81	2.33
4	0.00	28.50	57.05	17.11	201.87	60.56	2.54
5	0.00	26.50	49.75	14.92	187.70	56.31	2.77
6	0.00	24.50	42.96	12.89	173.54	52.06	3.04
7	0.00	22.50	36.67	11.00	159.37	47.81	3.35
8	0.00	20.50	30.87	9.26	145.21	43.56	3.70
9	0.00	18.50	25.56	7.67	131.04	39.31	4.13
10	0.00	16.60	20.75	6.22	117.58	35.27	4.67
11	0.00	14.50	16.41	4.92	102.71	30.81	5.26
12	0.00	12.50	12.59	3.78	88.54	26.56	6.03
13	0.00	10.50	9.25	2.77	74.37	22.31	7.04
14	0.00	5.00	6.41	1.92	35.42	10.62	4.53

* The adjusted value is based on a three-year (1987-1989) average of wheat equal to $3.90 and a capitalization rate of 13.765%. Yield is bushels of wheat per acre.
** Interpolated from current schedules.

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ADDENDUM B

PROPERTY TAX INCENTIVES FOR BUSINESSES IN MONTANA

Business Property Tax Incentives

In Montana, the property tax is the primary source of funding for local governments. Recognizing that part of the cost of doing business is property tax payments, the Legislature has provided property tax incentives to lessen the burden of property tax payments in the hopes of spurring economic growth in Montana. This paper will discuss the property tax incentives available to the business community in Montana. Provisions of the incentives that were modified or created by the 1991 Legislature are noted in ***bold italic***.

Property tax incentives can generally be divided into two categories: property tax abatements and property tax exemptions. Property tax abatements result in a reduction in the taxable value of the property. This is accomplished by directly reducing the taxable value of property or by applying a reduced tax rate to the property's assessed value. A property tax exemption will exclude part or all of the entire value of property from taxation. A third type of incentive available is the suspension and cancellation of delinquent property taxes to facilitate the purchase and continued operation of a business.

Property Tax Abatements

New Industry (State Option)

New industrial property, including real and personal property, is eligible for a reduced taxable valuation rate of 3% (normally 3.86% for real property and 9% for personal property) for the first three years of operation.

Eligibility :

- "New industry" means any organization that establishes a new plant in Montana for the operation of a new industrial endeavor, as distinguished from a mere expansion, reorganization, or merger of an existing industry.
- New industry includes only those industries that:
  - (i) manufacture, mill, mine, produce, process, or fabricate materials;
  - (ii) do similar work, employing capital and labor, in which materials unserviceable in their natural state are extracted, processed, or made fit for use or are substantially altered or treated so as to create commercial products or materials;

(iii) engage in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the *1987* Standard Industrial Classification Manual prepared by the United States office of management and budget;

(iv) engage in the transportation, warehousing, or distribution of commercial products or materials if 50% or more of the industry's gross sales or receipts are earned from outside the state; or

(v) earn 50% or more of their annual gross income from out-of-state sales.

Qualifying Property:

- All real and personal property of the new industry.
- New industrial property does not include:

  (i) property used by retail or wholesale merchants, commercial services of any type, agriculture, trades, or professions *unless the business or profession meets the eligibility requirements of (v) above.*

  (ii) a plant that will create adverse impact on existing state, county , or municipal services; or

  (iii) property used or employed in any industrial plant that has been in operation in this state for 3 years or longer.

Benefits:

- The tax benefit received is a reduced taxable valuation rate of 3%. The tax benefit applies to all mills levied on the property.

New or Expanding Industries (Local Option)

If approved by the local governing body, property used by certain new or expanding industries is eligible for reduced taxable valuation (up to 50% of their taxable value for the first 5 years) during the first 9 years after construction or expansion.

Eligibility :

- Industry includes, but is not limited to, a firm that engages in the;

  (i) mechanical or chemical transformation of materials or substances into products in the manner defined as manufacturing in the *1987* Standard Industrial Classification Manual prepared by the United States office of management and budget;

  (ii) extraction or harvesting of minerals, ore, or forestry products;

  (iii) processing of Montana raw materials such as minerals, ore, agricultural products, and forestry products;

  (iv) transportation, warehousing, or distribution of commercial products or materials if 50% or more of the industry's gross sales or receipts are earned from outside the state; or

  (v) earning of 50% or more of their annual gross income from out-of-state sales.

- New means that a firm is new to the jurisdiction approving the abatement and has invested a minimum of *$125,000* worth of qualifying improvements or modernized processes within the jurisdiction. Property that qualifies as new industry property under the state option discussed above cannot qualify as new industry property under the local option.

- Expanding means that the industry has added a minimum of *$50,000* worth of improvements or modernized processes to its property within the same taxing jurisdiction.

- The governing body of the affected county or the incorporated city or town must have approved by resolution the abatement.

Qualifying Property:

- The added improvements and/or added modernized processes.

Benefits:

- The tax benefit received is a percentage multiplier applied to the increase in taxable value of the qualifying improvements or modernized processes. The tax benefit applies to the number of mills levied and assessed for high school district and elementary school district purposes and to the number of mills levied and assessed by the local governing body approving the benefit.

Construction period	0%
First year following construction	50%
Second year following construction	50%
Third year following construction	50%
Fourth year following construction	50%
Fifth year following construction	50%
Six year following construction	60%
Seventh year following construction	70%
Eight year following construction	80%
Ninth year following construction	90%
Tenth year following construction	100%
Following Years	100%

Remodeling/ Expansion of Existing Buildings (Local Option)

If approved by the local governing body, remodeling, reconstruction or expansion of existing buildings or structures may qualify for a reduced tax rate for five years following construction.

Eligibility :

- The remodeling, reconstruction, or expansion of existing buildings or structures must increase the taxable value of the buildings or structures by 2 1/2%.

- The governing body of the affected county or the incorporated city or town must have approved by resolution the abatement.

Qualifying Property:

- The newly added remodeled, reconstructed, or expanded improvements.

Benefits:

- The tax benefit received is a percentage multiplier applied to the increase in taxable value caused by the remodeling, reconstruction, or expansion. The tax benefit applies to the number of mills levied and assessed for high school district and elementary school district purposes and to the number of mills levied and assessed by the local governing body approving the benefit.

Construction period	0%
First year following construction	20%
Second year following construction	40%
Third year following construction	60%
Fourth year following construction	80%
Fifth year following construction	100%
Following Years	100%

Expanding "Value-Added" Machinery and Equipment (Local Option)

If approved by the local governing bodies, an existing value-added industry that expands to include value-added machinery and equipment is entitled to receive a decrease in the tax rate for the value-added machinery and equipment. ***This incentive was created by the 1991 Legislature.***

Eligibility :

- Value-added industry is a firm that engages in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the 1987 Standard Industrial Classification Manual prepared by the United States office of management and budget and engages in the

  (i) processing of Montana raw materials such as minerals, ore, oil, gas, coal, agricultural products, and forestry products; or the

  (ii) processing of semifinished products produced in Montana that are used by the industry as a raw material in further manufacturing.

- The new value-added machinery and equipment must directly result in the creation of new jobs.

- Local governing bodies must approve by resolution the abatement.

Qualifying Property:

- Machinery and equipment, used for value-added manufacturing and processing, that results in the hiring of new full-time employees.

Benefits:

- The tax benefit received is a reduced tax rate, from 9% to as low as 3%, for the qualifying property. The amount of reduction is determined by the number of new full-time employees. The tax benefit applies to the number of mills levied and assessed by each local governing body approving the benefit. The benefit also applies to statewide levies if the governing body approving the benefit is a county, consolidated government, or incorporated city or town.

Research and Development

Property devoted to research and development is eligible for a reduced taxable valuation rate of 3% (normally 3.86% for real property and 9% for personal property).

Qualifying Property:

- All land and improvements and personal property owned by a research and development firm and actively devoted to research and development.

Benefits:

- The tax benefit received is a reduced taxable valuation rate of 3%. The tax benefit applies to all mills levied on the property and does not phase-out with time.

Pollution Control Equipment

Air and water pollution control equipment is eligible for a reduced taxable valuation rate of 3% (normally 3.86% for real property and 9% for personal property).

Qualifying Property:

- Facilities, machinery, or equipment used to reduce or control water or atmospheric pollution or contamination by removing, reducing, altering, disposing, or storing pollutants, contaminants, wastes, or heat.

Benefits:

- The tax benefit received is a reduced taxable valuation rate of 3%. The tax benefit applies to all mills levied on the property and does not phase-out with time.

Gasohol Producing Equipment

Property used to produce gasohol is eligible for a reduced taxable valuation rate of 3% (normally 3.86% for real property and 9% for personal property) for the first three years of its operation.

Qualifying Property:

- Any real or personal property used primarily in the production of gasohol.

Benefits:

- The tax benefit received is a reduced taxable valuation rate of 3%. The tax benefit applies to all mills levied on the property and is available during construction and the first three years of operation.

Electrolytic Reduction Facilities

Machinery used in electrolytic reduction facilities is eligible for a taxable valuation rate of 3% (normally 9% for personal property).

Qualifying Property:

- Machinery used in electrolytic reduction facilities.

Benefits:

- The tax benefit received is a reduced taxable valuation rate of 3%. The tax benefit applies to all mills levied on the property and does not phase-out with time.

Canola Seed Oil Processing Facilities

Machinery used in canola seed oil processing is eligible for a taxable valuation rate of 4% (normally 9% for personal property).

Qualifying Property:

- Machinery and equipment used in a facility that extracts oil from canola seeds, refines the crude oil to produce edible oil, formulates and packages the edible oil into food products, or engages in any one or more of those processes, and employs a minimum of 15 employees in a full-time capacity.

Benefits:

- The tax benefit received is a reduced taxable valuation rate of 4%. The tax benefit applies to all mills levied on the property and does not phase-out with time.

Idle Agricultural and Timber Processing Plant (Local Option)

If approved by the local governing body, agricultural and timber processing plants that have been idle for 12 consecutive months may receive property assessment reductions of 25% a year for each year the plant continues to be idle.

Eligibility :

- All real and personal property devoted exclusively to the processing of agricultural or timber products, is integrally related in a single working unit, and:

  (i) has been idle for 12 consecutive months or has been acquired in an arm's-length transaction by an unrelated person, including an acquisition in a foreclosure sale or bankruptcy proceeding; or

  (ii) has been acquired in a foreclosure or bankruptcy proceeding by a person having no relationship to or interest in the property prior to the transaction.

- The governing body of the affected county or the incorporated city or town must have approved by resolution the abatement.

Qualifying Property:

- Real and personal property of idle agricultural and timber processing plants.

Benefits:

- The tax benefit received is a reduced market valuation. The assessed value is reduced by 25% a year for each year the property is idle until the fourth year when the value is reduced to salvage value. The tax benefit applies to the number of mills levied and assessed for high school district and elementary school district purposes and to the number of mills levied and assessed by the local governing body approving the benefit.

Property Tax Exemptions

Exemption for Business Incubators (Local Option)

If approved by the local governing body, a business incubator owned *or leased* and operated by a local economic development organization is eligible for an exemption from property taxes.

Eligibility :

- Business incubator means a facility that leases space to and provides shared services (receptionist, copying, secretarial, etc.) and business assistance (marketing plans, business plans, accounting, administration, etc.) to new businesses in order to improve their chances of success.

- Local economic development organization means a private nonprofit organization whose primary purposes are to develop the economy of its area and to provide assistance to businesses in that area.

- The governing body of the affected county, consolidated government, incorporated city or town, or school district in which the property is located in must have approve the tax exemption by resolution.

Qualifying Property:

- All real and personal property of the business incubator.

Benefits:

- The tax benefit received is complete exemption from the number of mills levied and assessed by the governing body approving the exemption, ***and exemption from state mills.***

Industrial Parks (Local Option)

If approved by the local governing body, an industrial park owned and operated by a local economic development organization or port authority is eligible for an exemption from property taxes.

Eligibility :

- Industrial park means property zoned for light and heavy industry. The term includes fully developed or partially developed land and improvements and undeveloped land.

- Local economic development organization means a private, nonprofit organization whose primary purposes are to develop the economy of its area and to provide assistance to businesses in that area.

- The governing body of the affected county, consolidated government, incorporated city or town, or school district must have approved the tax exemption by resolution.

Qualifying Property:

- All real and personal property of the industrial park.

Benefits:

- The tax benefit received is complete exemption from the number of mills levied and assessed by the governing body approving the exemption, ***and exemption from state mills.***

The following property is exempt from all property taxation:

General Business Exemptions:

- Business inventories and freeport merchandise.
- All down-hole equipment in oil and gas wells.
- All property used for the exclusive purpose of filming motion pictures or television commercials, provided the property is not in the state in excess of 180 consecutive days.
- The title plant owned by a title insurer or title agent.
- The first $15,000 or less of value of hand-held tools.
- The first $100,000 or less of the value of non-fossil forms of energy generation.

Agriculture Exemptions:

- All unprocessed agricultural products.
- All producer-held grain in storage.
- Livestock that has not obtained the age of 24 months.
- Swine less than 6 months of age.
- Poultry and the unprocessed products of poultry.
- Bees and the unprocessed product of bees.
- Personal property exclusively used to plant, cultivate, or harvest sugar beets if the property has been idle in the preceding 2 years and there are no available sugar beet contracts in the sugar beet grower's marketing area.
- All harness, saddlery and other tack equipment.
- Sprinkler irrigation systems.
- Farm buildings with less than $500 in value, and agricultural implements and machinery with less than $100 in value.

Suspension and Cancellation of Delinquent Property Taxes

Suspension, Cancellation of Delinquent Taxes (Local Option)

If approved by the local governing body, delinquent property taxes on commercial property may be suspended to facilitate the purchase and continued operation of a business utilizing the commercial property.

Eligibility :

- The property has not been used in a business for 6 months immediately preceding the date of suspension.
- The purchase of the commercial property:
  - (i) is an arm's length transaction,
  - (ii) is not a restructuring of ownership for the primary purpose of escaping payment of delinquent property taxes, and
  - (iii) is in the best interest of the people of the county or consolidated government.
- The governing body of the affected county or the incorporated city or town must have approved by resolution the abatement.

Benefits:

- The tax benefit received is a suspension or cancellation of the delinquent property tax if the purchaser of the commercial property continuously utilizes the property in a profit-oriented, employment-stimulating business for 3 years from the date of purchase. The suspension or cancellation of delinquent property taxes applies to all mills levied by local governments and by the state. ***If the purchaser is obtaining financing as a part of a purchase agreement, the purchaser may request and the governing body may grant a subordination of the suspended tax lien to the financing.***

GLOSSARY OF TERMS

ACCELERATED FILERS: It is a withholding tax term. Employers who's total liability for withholding equals or exceeds $300,000 in the preceding calendar year must remit the amounts withheld and the payroll tax on the same day the employer remits to the federal government.

AGRICULTURAL LAND: Land in excess of 20 acres or land producing at least $1,500 in annual agricultural income.

APPORTIONMENT: A method of determining Montana net income for a multistate taxpayer using a 3 factor formula consisting of property, payroll and sales. This method would be used if the taxpayer was conducting a unitary business both within and without the state.

APPRAISED/ASSESSED VALUE: A value determined by the Dept. of Revenue for use in computing local government taxes. Under § 15-8-111, MCA, (except for a few noted exceptions) all taxable property must be assessed at 100% of its market value.

C-CORPORATION: A corporation that has elected to be taxed at the corporate level on net income earned. This type of corporation is also commonly referred to as a regular corporation.

CENTRALLY ASSESSED: Basically public utilities, railroads, and airlines.

COMBINATION: This is merely an extension of the apportionment method for determining Montana net income. Rather than using the 3 factor apportionment formula to compute Montana net income for a single corporation, it is applied to a group of unitary corporations. Combinations can be prepared on a worldwide basis, U.S. basis or on a lines of business basis depending upon what levels of unity exist within a group of corporations.

COMMERCIAL - REAL: Land and improvements owned by a business and/or used in certain income producing activities.

CONTRACT SALES PRICE: As defined by Montana law as it relates to the coal production taxes is the price of coal loaded for shipment at the coal mine less production taxes and governmental royalties in excess of $.15 per ton. Contract sales price is the value upon which the coal severance, gross proceeds and resource indemnity trust taxes are computed on.

CREDIT: An amount that directly reduces a taxpayer's tax liability. .

DEDUCTION: Amounts that reduces taxable income (i.e. tax exempt income or allowable expenses).

EFFECTIVE RATES: The actual tax rate derived by dividing a taxpayer's gross income by his tax liability.

EXEMPTION: An exemption reduces an individual's tax liability. A taxpayer is allowed an exemption for themselves and their spouse and may qualify for an additional exemption for each dependent. Additional exemptions are allowed if the taxpayer or spouse is 65 or over or is blind or have handicapped children.

FAGI: This is the abbreviation for Federal Adjusted Gross Income. This is an individual's federal taxable income before reductions for exemptions and either itemized deductions or the standard deduction.

FLAT RATE: A specific rate charged regardless of income.

FLAT TAX: Is the more common name used when referring to the Local Government Severance Tax (LGST). The LGST replaced the Oil and Gas Net Proceeds on "old production." The LGST is paid to the state and all of the money is distributed back to the counties that have oil and/or gas production.

LIMITED LIABILITY COMPANY: A new type of entity recognized in approximately 15 states, but not Montana, which is a hybrid between a corporation and a partnership. This new type of entity would allow for the more attractive features of both a corporation and a partnership. The entity would provide limited liability to the shareholders in the same manner as a corporation and yet would allow for a participation in management and a flow through of taxes similar to a partnership.

MAGI: This is the abbreviation for Montana Adjusted Gross Income. This is an individual's Montana taxable income before reductions for exemptions and either itemized deductions or the standard deduction. MAGI is derived at by starting with FAGI and adding and subtracting specific income as required by Montana law.

MARKET MODELING: Market modeling is the process of comparing the sales price of a property to similar properties to determine the value of the similar properties. It is based on the fact that a taxpayer would pay no more for a property than the cost of acquiring an existing, comparable property.

MARKET VALUE: The value at which property would change hands between a willing buyer and a willing seller.

MILL: A tenth of a cent. Mills are applied to taxable value to determine taxes owed. One mill applied to $1,000 of taxable value produces $1 in tax.

NEW PRODUCTION: As used by the Department of Revenue means wells that were drilled and began producing oil and/or gas after July 1, 1985 (i.e. post 1985 production).

NEW OIL AND GAS NET PROCEEDS TAX: Is the tax paid quarterly to the county for "new production." The rate of tax is 7% for oil and 12% for gas.

NON-WORKING INTEREST: As defined in Montana law is any interest owner who does not share in the development and operation costs of a property. These are typically royalty owners.

OIL AND GAS NET PROCEEDS TAX: Is the tax that applied to "old production" prior to being replaced by the Local Government Severance Tax by the June 1989 Special Legislative Session. This tax was paid directly to the county and the amount of tax was based on the mill levy for the school district in which the production occurred.

OLD PRODUCTION: As used by the Department of Revenue means wells that were drilled and began producing oil and/or gas prior to July 1, 1985 (i.e. pre 1985 production).

PERSONAL PROPERTY: All property not considered real estate or improvements.

PROGRESSIVE TAX TABLES: Tax tables that indicate the tax rate at certain income levels. Income is taxed at higher rates as it increases. Montana's rates tax the first $1,700 of income at 2%, the next $1,700 at 3%, the next $3,400 at 4%, etc., up to a maximum of 11%.

RESIDENTIAL - REAL: Land and improvements other than commercial land and improvements. This primarily includes property used as residences.

S-CORPORATION: A corporation that has elected to be taxed at the shareholder level on net income earned by the corporation. This type of corporation is also referred to as a small business.

SEPARATE ACCOUNTING: A method of accounting that determines Montana net income by separately accounting for income and expenses within the state. This method cannot be used if the taxpayer is conducting a unitary business.

STRIPPER WELL - GAS: Describes a well that produces an average of 60,000 cubic feet of gas or less per day. This definition was adopted from the Natural Gas Policy Act.

STRIPPER WELL - OIL: Describes a well that produces an average of 10 barrels of oil or less per day. This definition was adopted from the Windfall Profits Tax Act.

SURTAX: An amount added to the taxpayer's tax liability. It is a percentage of the tax liability as computed and before any credits against the tax.

TAXABLE VALUE: Determined by multiplying the market value times the statutory taxable value rate for that type of property.

TIMBERLANDS: Land exceeding 15 acres capable of producing timber in commercial quantities.

UNITARY BUSINESS: A term used to describe the nature of a taxpayer's multistate business which states that the operations within Montana are so integral with the taxpayer's operations outside the state that the only way to properly compute Montana net income is through the use of apportionment.

WATERS-EDGE ELECTION: If a taxpayer operates on a worldwide basis, they may file an election with the Department which would allow them to file on a combined basis including only those companies operating in the U.S.

WORKING INTEREST: The name given to the party or parties who have leased the rights to explore for and produce oil. These owners bear the exploration, development, and operating costs of an oil or gas property.